

AUTOMOTIVE EXECUTIVE

APRIL 1986 OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION

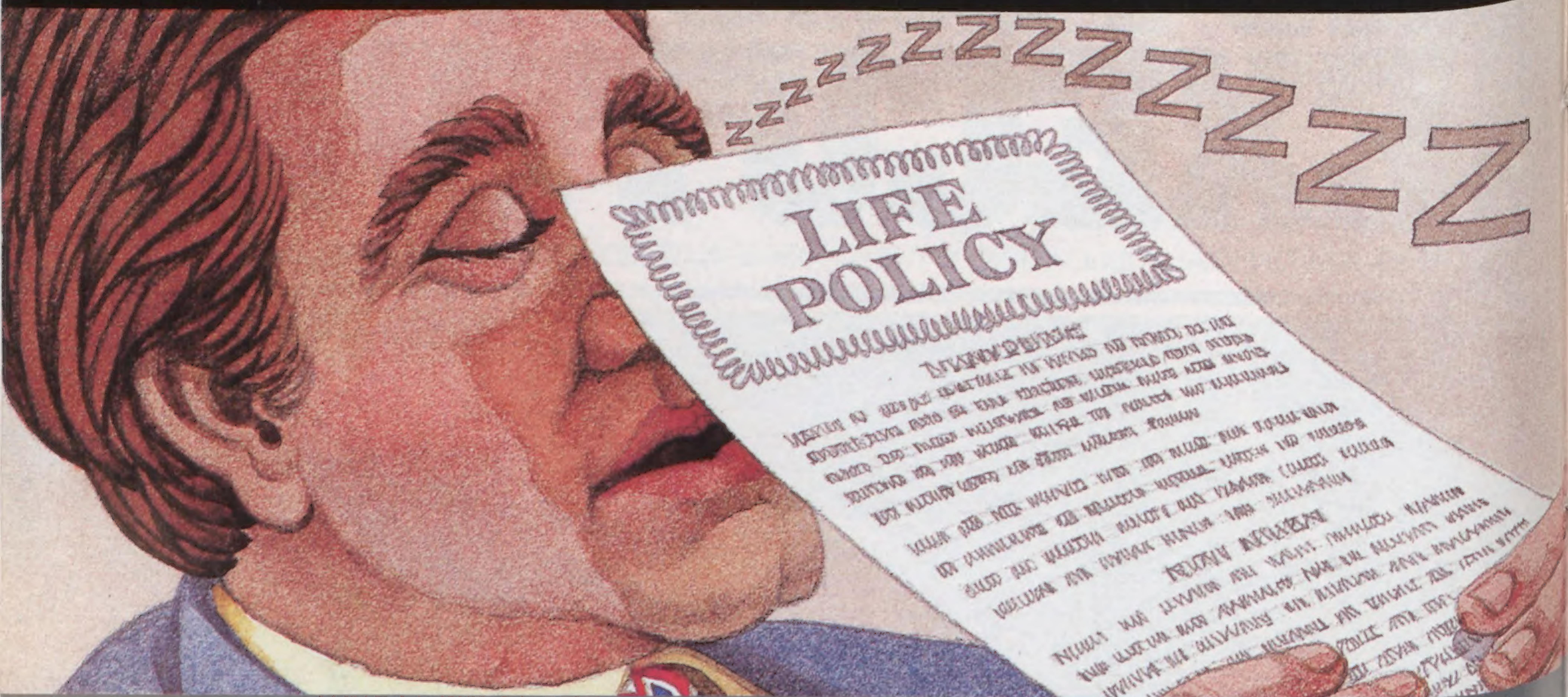


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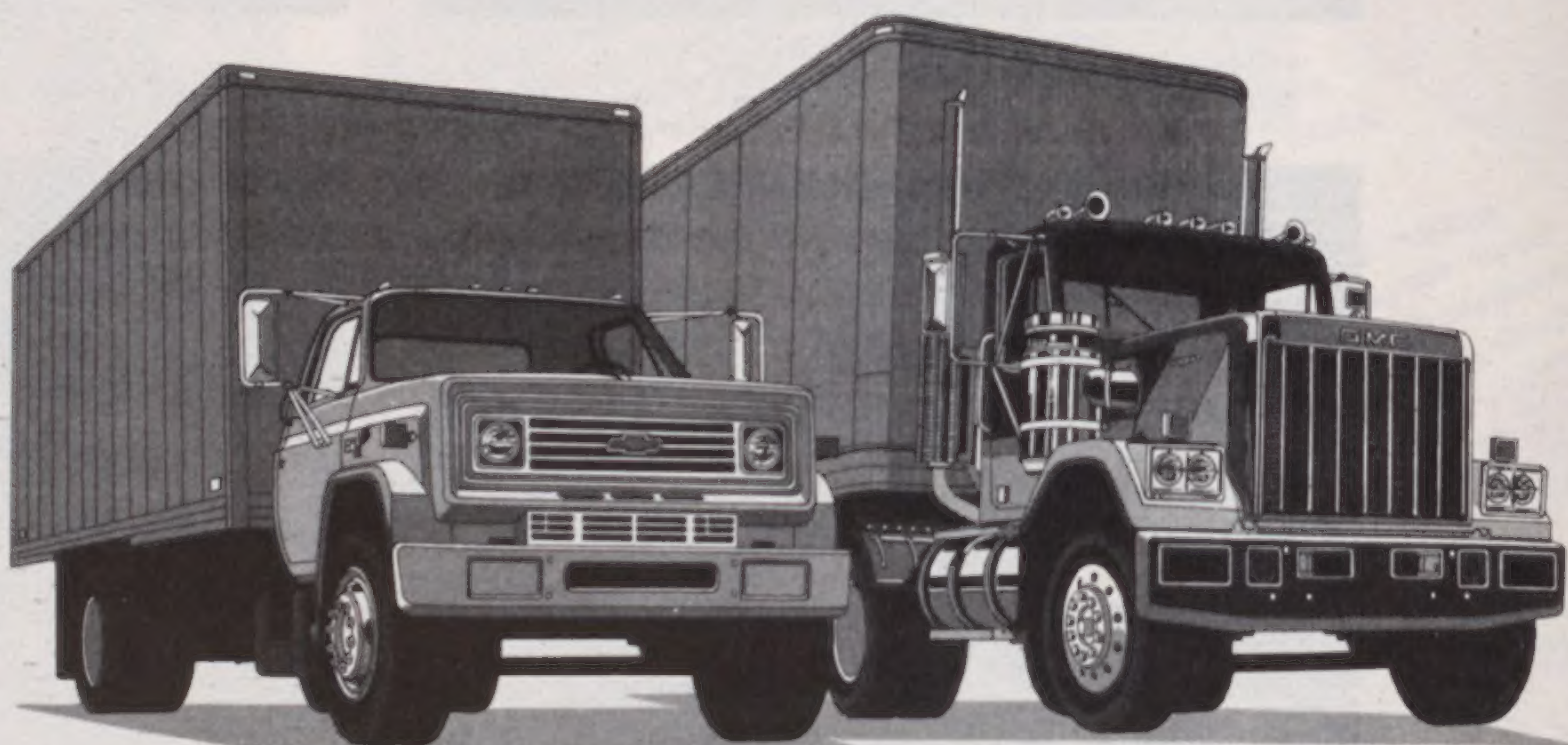


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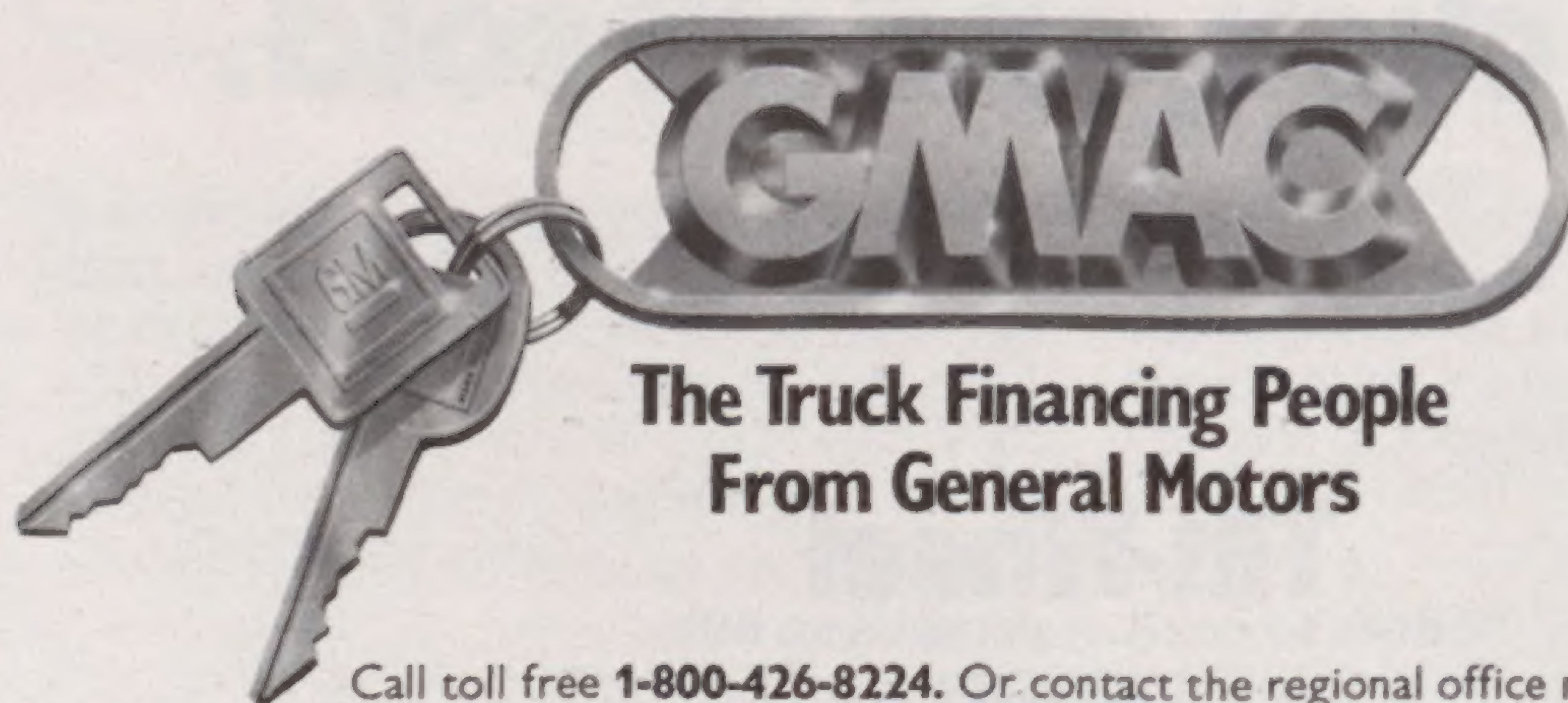
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OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION



Cover: Bernie Uhl, incoming chairman of NADA's American Truck Dealers Division. Photo by Gerry Donohue.

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Special Note: You may notice something different about this month's issue. Over the past few months, we've introduced some changes in *Automotive Executive's* design. We've switched to a larger, cleaner typeface, modernized the column heads and finetuned the look of feature and column pages. This issue marks the completion of these changes. We think the result is an improved, more readable magazine. Let us know if you agree.

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20

Improving Customer Satisfaction

Bill Shepherd at Shepherd Pontiac-Honda in Concord, CA has found a method for getting customers to pay attention to what the dealership is trying to tell them about CSI. The dealership sends a letter offering a gift if the customer will meet with the service or parts manager. During the meeting, the managers have the opportunity to tell the customer about their CSI questionnaire and check on the current level of satisfaction.

The response rate is 83 percent, and the dealership's CSI rating increased five points over the last period, making its rating noticeably above the zone average. ■

Team Car Ordering

Doug Overvold of Overvold Motors Inc. in Fargo, ND reports that his dealership has monthly ordering meetings where the general manager, desk managers, sales managers and selected salespeople get together to order new cars. Statistics are gathered for these meetings, including previous sales records, forecasts, seasonal trends, etc. The reports are studied, and, along with individual input, are used to compile an order list.

"We now have a much better selection of cars and trucks that our customers want to buy, instead of one person ordering cars and options that he likes," Overvold says. ■

Uses for Computers

Donald Smith at Smith Chevrolet Co. Inc. in Turlock, CA suggests possible uses for your personal computer.

- Use it to list specifications for new cars and trucks, including option codes and prices, retail and net.

- Use the personal computer instead of a preliminary price sheet; it can include dealer advertising charges and packs if desired.

- Use it for dealer trades—just check off against the customer-requested options you are trying to locate.

A printout from the personal computer gives the customer a record of your dealership's name and phone number, plus the salesperson's name. The dealership, in turn, will have a record of equipment quoted, prices, the customer's name and phone number. ■

Measuring Employee Satisfaction Levels

Elsie MacMillan, a student in the NADA Dealer Candidate Academy, shares an idea for discovering employee satisfaction. Prestige Motors in Paramus, NJ distributed a questionnaire to all its employees. Questions included:

- How satisfied are you with your job, compared with other jobs you have

had? (Employees rated their jobs on a scale of 1 to 10.)

- How do you rate the dealership as a place to work, on a scale of 1 to 5? (1 is "great"; 5 is "terrible.")

- If you do not rate the dealership "great," what could the dealership do to make it better?

- What comments do you have about the management in your department?

- Do you feel anything interferes with the company's top goal of customer satisfaction?

- What ideas do you have for improving customer satisfaction? ■

For further information about NADA's 20-Group program, contact John Hopkins, NADA 20-Groups, 8400 Westpark Drive, McLean, VA 22102, (703) 821-7031.



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TEAM Fights Drunken Driving

NADA has joined forces with the National Highway Traffic Safety Administration, the National Basketball Association, CBS Inc., the International Association of Auditorium Managers and the Government Employees Insurance Co. in what could be the largest private sector initiative ever developed to combat drunken driving.

The program, called TEAM (Techniques of Effective Alcohol Management), is directed primarily at patrons of major sporting arenas throughout the country. The TEAM concept involves six major goals: increasing audience awareness of the dangers of drinking and driving; promoting responsible alcohol service by arena employees; reducing or eliminating excessive use of alcohol by arena patrons; reducing or eliminating alcohol abuse in areas adjacent to arenas, such as parking lots; encouraging patrons' participation in community activities that deter drunken driving; and informing and educating patrons about the risks involved in drinking and driving, their responsibilities to other patrons and citizens, the advantages of using safety belts, and actions they can take to reduce the threat of alcohol-related accidents in their communities.

Seven arenas in National Basketball Association-franchised cities have been chosen to pilot-test the TEAM concept, including Cleveland, OH; Indianapolis, IN, and Denver, CO. Once the initial programs have been evaluated, they will be used by the Traffic Safety Administration and the Association of Auditorium Managers as a basis for training curricula

for arena management and staff, demonstration programs and literature.

The first program, in Cleveland, will use signs in the arena and parking lot, seminars led by Traffic Safety Administration personnel, buttons and public service announcements, all centered around the theme, "Friends don't let friends drive drunk."

Chevrolet Reaches Out To Women's Market

Chevrolet, recognizing that women buyers may soon account for half the new-car purchases in the United States, has launched a far-reaching women's marketing effort.

The company has formed an internal women's marketing committee, drawing from many parts of Chevrolet, to plan the strategy for the effort to increase the automaker's share among women buyers.

The committee has identified through research and focus groups some key areas that influence women when they buy cars:

- A helpful and knowledgeable salesperson is more important to women car buyers than to men.

- Women are more concerned with safety and are more influenced by a reputation for quality.

- Credit and financing are particularly important, especially to first-time female buyers who may be less familiar with the available avenues of credit.

Women now purchase nearly a third of all Chevrolets, with higher figures for some models. They buy almost half

of all Novas and Spectrums and over 40 percent of Chevettes and Cavalier Hatchbacks.

Chevrolet has initiated several programs to attract the woman buyer, including:

- Sole sponsorship of "Strategies for Success," a two-day women's career conference program scheduled in 10 cities between November 1985 and November 1986, expanding to 20 cities in 1987 and 1988. The program will include presentations by celebrities such as Sally Ride and Barbara Walters.

- Sponsorship of "Beautiful You," a travelling display that appeared in malls across the country between May 1985 and January 1986, and included exhibits on health, grooming, travel and fitness. The Chevrolet display featured the Camaro and Cavalier, two of the top-selling cars to women, along with information on women and credit.

- Sponsorship of a series of eight-page inserts on health and fitness beginning in the October 1985 issues of *Cos-*

mopolitan and *Women's Sports and Fitness* magazines, through May 1986.

- Introduction of a pre-approved credit plan starting in the October 1985 issues of the same magazines. Inserts included an application for pre-approval of financing on a new Chevrolet through General Motors Acceptance Corp.

- Sponsorship, with *Cosmopolitan*, of the Women's Sports Hall of Fame program at the Women's Sports Foundation's annual awards dinner.

Satisfaction with Cars Is Rated as Average

In a recent survey of American families on how they assess the value they receive from nearly 40 major products and services, 21 percent rate domestic cars as good and 57 percent rate them as average. Import cars rank slightly higher: 26 percent rank them as good, and 54 percent as average. The study was done by the Conference Board, a New York group.



The new Automotive Trade Association Executive officers, chosen at the NADA Convention in February, are (left to right): Richard K. Welte, immediate past president (Niagara Frontier Automobile Dealers Association); B. Wade Isaacs, president (North Carolina Automobile Dealers Association); John Conner, vice president (Oklahoma Automobile Dealers Association), and Robert H. Newberry, secretary-treasurer (Kentucky Automobile Dealers Association).

Highway Users Group Names New President

Lester P. Lamm became president of the Highway Users Federation March 1, leaving his job as deputy administrator of the Federal Highway Administration.

He succeeded John A. Clements, who resigned to become president of the New England Fuel Institute. Clements, who headed the federation for a year and two months, said he left for personal reasons and because he wanted to return to his native New England.

Lamm began his public service career with the U.S. Bureau of Public Roads, the forerunner of FHWA, in 1955. He rose through the ranks to become FHWA's executive director, the agency's top career professional, in 1973. In 1982, President Reagan appointed Lamm FHWA deputy administrator.

The Highway Users Federation is a national coalition of 400 businesses, industries and associations promoting improved highway transportation safety and efficiency.

Automakers Target College Student Market

The U.S. college campus has become an important marketing target for several automakers, according to studies compiled by Marketing & Financial Management Enterprises, a California consulting company.

College students represent the major source of the upscale market segment for new-vehicle purchase over the long term as they make entry-level purchases and develop lasting

loyalties, the company says.

The studies found that students intend to buy new cars not only after they graduate, but during college as well. Thirty-eight percent of the students said they plan to buy a new vehicle within the next three years.

Students understand corporate marketing approaches that involve on-campus participation in student activities: 89 percent said they think corporate involvement is important, and 62 percent said that corporate involvement would increase their decision to purchase a vehicle.

The study also found that students expressed a deep-rooted distrust of domestic auto companies, but nationally, their preference was equally divided between buying domestic (45 percent) and import vehicles (43 percent).

Marine Midland Begins Auto Finance Subsidiary

Marine Midland has established Marine Midland Automotive Finance Corp., a subsidiary providing a full range of auto-related financial services to car dealers across the country, officials of the New York-based company announced at the NADA Convention.

The new subsidiary will provide auto dealers in key national markets with inventory financing, retail auto loan and lease products, and other specialized dealer-oriented financial services. It has headquarters in Buffalo, NY and regional offices in New York, Boston, San Francisco, Pittsburgh, and Groton, CT. Additional offices will be opened in Chicago and Denver in the first

quarter of this year, and in Dallas and Miami in the second quarter.

Marine is also offering dealers its Reduced Auto Payment Plan, an auto loan with leasing features that the company developed last year. The plan provides car buyers with low monthly payments and a final "balloon" payment equal to the car's predetermined residual value.

Record Refund for NADIT

A record premium refund of 25 percent—totaling \$1.6 million—highlights the 30th year of the National Automobile Dealers Insurance Trust.

Premium refund rates hovered around 15 percent until last year, when they jumped to 20 percent. The 25 percent rate applies to all premiums paid in 1985.

"Coming on top of the 22 percent reduction in rates we announced in October—when other segments of the insurance company are raising their rates for businesses—this year's record refund shows the strength of the program," said NADIT Board of Directors Chairman S.J. Schumacher. "Clearly, NADIT can easily compete with any group plan on the market."

Schumacher attributed suc-

cess of the program to an excellent return on investments and a low number of claims relative to premiums paid.

Nearly 30,000 members of the plan will benefit from the refund, of whom almost 5,000 are car and truck dealers. It will apply to participants in all three of NADIT's plans: the Executive Group Life Insurance, Franchised Dealer Group Insurance and Retirement Accumulation Insurance plans.

Close to \$1.6 billion is underwritten by Prudential Insurance Co. under NADIT.

Parts for Imports

The replacement parts market for imports is approaching \$6 billion annually, according to estimates of the Lindsey-Kaufman Co. There are 20 million imported cars in the United States, and Japanese models account for about 12.7 million of the cars on the road here as of mid-1983. Although half of those are under three years old, 36 percent are four to eight years old, just the right age to need repair and maintenance.

Send items for "Executive Notes" to Joan Mooney, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102.



The Ford Taurus (left) was named Car of the Year for 1986 by *Motor Trend* magazine in the United States, and Ford's European Scorpio was named European Car of the Year 1986 by an international jury of 56 motoring journalists.



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UHL T A K E S A T D H E L M

The new chairman of the American Truck Dealers shares his thoughts on industry challenges.

By Gerry Donohue

Bernie Uhl sits at the wheel of an International cabover. Easily shifting through the gears, he guides the tractor across the lot at his Louisville, KY dealership. His gray pinstripe suit seeming out of place in the driver's seat, he discusses the future of the truck industry—a subject that has taken on extra meaning for him as he prepares to take over as chairman of NADA's American Truck Dealers Division at the ATD Convention in Anaheim, CA later this month.

"There's no fat in our industry today," he says, pulling the truck to a stop in front of a service bay. "If dealers don't manage properly, watch expenses carefully and operate frugally, with the way business conditions are today, I don't see a future for us."

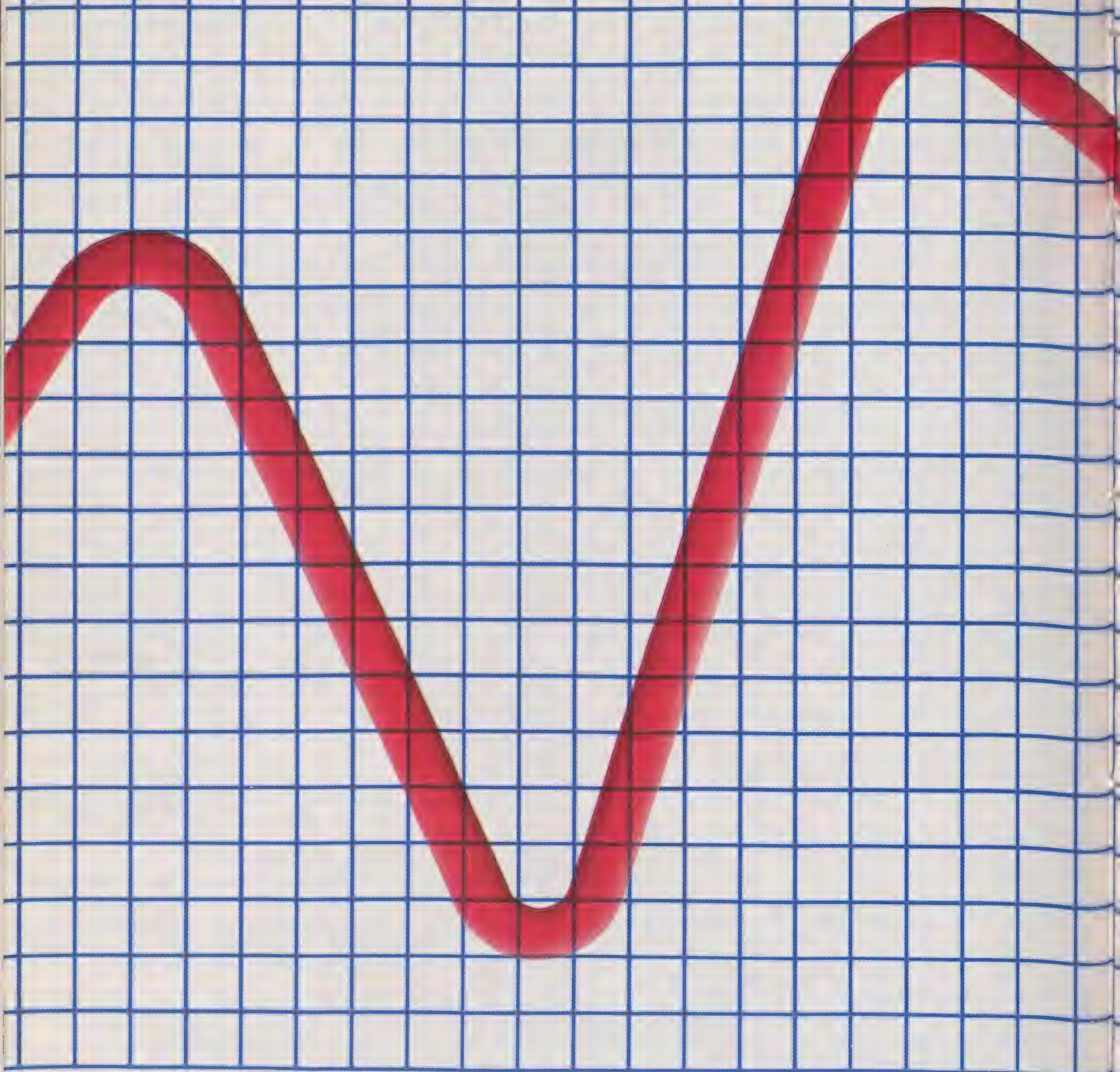
Uhl quickly stresses, however, that he does see a future for the well-managed dealership. He is optimistic that the truck dealer body will be in a stronger position tomorrow than it is today.

A student of the industry, Uhl watches trends as a navigator watches the stars. And in his more than 30-year career as a truck dealer, he has done well, anticipating rather than reacting. He started leasing in 1969, operated a complete truck service shop when it was the exception rather than the rule and is now in the midst of consolidating his three dealerships so they will run more efficiently.

Success Through Service

"My ambition was to have a car dealership," Uhl says, sitting at his office desk, looking out over the store's large





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sales floor. "But not many car manufacturers saw any potential in Palmyra and that's where I wanted to do business. When the International opportunity came along, I seized it."

Uhl understands the car manufacturers' reticence. By his own admission, Palmyra, IN is "a speck on the map," but he was determined. His home and business—an independent garage—were in Palmyra and he wanted to stay. When International Harvester offered him a franchise in 1953, he took it.

"Nobody in his right mind would try to start a truck dealership in Palmyra," Uhl says. "But it's worked."

It certainly has. Uhl's Palmyra store has 22 service bays in a 24,000-square-foot facility and, he says, operates "way above its potential."

"I guess we did some things right," Uhl says, thinking back on his early days in the Palmyra store. "Then, errors were forgiven more easily. You had more time to train and learn by trial and error. That's not available to dealers today. It's too competitive."

One lesson Uhl put into practice immediately was the value of a strong service department. From the beginning, service has been Uhl's trademark.

"Service made our business," he says. "We've really tried to excel, offering total service to our customers. Many years ago we put in a radiator shop, an alignment facility, frame modification equipment . . . we just did a lot of things that many service shops didn't invest in."

As his Palmyra success grew, Uhl looked farther afield. In 1981, International starting selling off its factory-owned branches and Uhl was among the first dealers to respond, buying a Louisville store. Located at a major intersection on Interstate 264, just south of Louisville, Uhl considers the 7.5-acre site "probably the choicest location in town."

In May 1985, Uhl expanded further, opening a store in Elizabethtown, about 55 miles south of Louisville. His son Todd runs that store with occasional

"This business still offers opportunity. It's a lot different than a few years ago, and risks are greater, but if we reduce expenses, increase productivity and become more conscious of our customers, dealers can still prosper."

counsel. Mike Shireman runs the Palmyra store.

Among the three dealerships, Uhl has 90 employees and expects to gross more than \$20 million annually. His is a strong, vibrant business, ready for the future. But Uhl wonders what the future holds.

"The truck business is cyclical," he says. "For years it would be four years up, six months to one year down. Now that cycle seems to have evened out, with the downturn lasting as long as the upturn. It seems to have peaked again, and it's becoming somewhat soft now."

Dealing With Competition

Uhl anticipates a tighter market: in the short term caused by cyclical fluctuations; in the long term driven by steadily increasing competition. Uhl believes business as usual won't work anymore. He is currently implementing a complete dealership consolidation program, streamlining operations to better face the tough market ahead.

"We're moving toward a single company operating three locations," he explains. "We're overhauling our computer network to do central accounting. All three stores will be on line, with each department head responsible for department operations at all three locations. Our satellites will be operated with very low overhead."

Another way to protect profits, Uhl

learned years ago, is leasing. He began leasing in his Palmyra store in 1969, long before truck leasing made such major inroads into the market.

"We foresaw growth and knew that to protect our customer base we had to be in leasing," he says. Uhl is part of the Idealease network, made up of International dealers who offer leasing. Member dealers offer reciprocity service to lessees throughout the country.

One heartening aspect of Idealease, Uhl says, is the support given the dealer network by International. He believes—and hopes—it may indicate a trend.

"Manufacturers are becoming more aware of the threat leasing companies pose to franchised dealers," he says, "yet it's such a large segment of the business that they aren't willing to back off completely."

"But I think they recognize that if the independent leasing companies get much more market share, there won't be enough left for the franchised dealer. And I believe that the manufacturers want to continue distributing through the franchised system. I don't think there's a better system out there and I believe they recognize that."

Nevertheless, current production overcapacity has driven the manufacturers to support distribution methods that threaten the franchised dealer system—leasing companies, wholesale parts distributors and garages.

"You look around and wonder why a person could be optimistic about the franchised system," he says. "There's declining profit in sales, parts and service. Competitive pressures in every area are tremendous. I see a very fine line on either side of which you can stray without much movement. Dealers can easily drop off the wrong side."

"But this business does still offer opportunity. It's a lot different than a few years ago and, sure, the risks are greater, but if we reduce expenses, increase productivity and become more customer-conscious, dealers can still prosper."



ATD Has A Role

In today's marketplace and in tomorrow's, Uhl says, ATD has a place. It exists to help dealers achieve peak performance in all phases of their business.

"As ATD members, dealers receive national representation on legislative matters, vital interpretations of tax and regulatory rulings and expert guidance in management," he says.

"Take the excise tax, for example,"

he continues, "We've had a very, very messy situation and I think ATD is doing a good job straightening it out."

The excise tax is Uhl's No. 1 priority as ATD chairman. It is a short-sighted, inequitable tax, he says, that raises revenue in the wrong way.

"If a guy buys a new truck and pays, say, \$8,000 federal excise tax on that truck, then wrecks it driving out of the dealership and has to buy another one,

he pays that tax again. That's not a true user tax. The excise tax should be based on use, not on purchase price.

"I don't know of a more fair way to do that than through fuel tax—if a guy burns the fuel, he pays the tax."

Uhl says "we have to go all out for repeal," but emphasizes that ATD is working in the interim to lessen dealer inequities.

"ATD is working very hard right now on clarifying the IRS rulings. There are a lot of gray areas and the IRS knows that. They are cooperating with us to clarify these problem areas."

Uhl has other goals as ATD chairman. He wants to work more closely with the manufacturers, impressing upon them the interdependency of the dealer/factory relationship.

"We work together and we have the same interests. We should recognize our relationship and work to solve common problems—together."

Uhl also wants ATD to be more active in management education programs for truck dealers.

"One of our big problems today is that there are so many dealers that the dealer body as a whole goes for volume without regard to profits. My ambition as ATD chairman is to establish an ongoing program to expose the folly of volume without profit."

A member of ATD since its founding in 1970, Uhl says he has seen tremendous development in the organization. And he has had a role in that growth, twice serving as ATD International line representative before being elected ATD vice chairman at last year's convention.

"I'm a bit partial, but I think ATD is an outstanding organization," he says. "It does a lot for its members and I think truck dealers recognize that."

"I'm certain that ATD can meet the challenges ahead."

Gerry Donohue is assistant editor of Automotive Executive.

MEET YOUR LINE REPS



Kenworth

George Rafferty, president of Chicago Kenworth Inc. in Markham, IL, became ATD's Kenworth line representative in 1985.

Before taking over his dealership in 1972, Rafferty worked for White Trucks for nine years, climbing from Chicago area sales representative to vice president.

As a Kenworth dealer, he has served on the Kenworth President's Council and as chairman of the Kenworth National Dealer Council. ■



Peterbilt

Edward Webb "Ted" Engs, president of Engs Motor Truck Co. in Pico Rivera, CA, joined the ATD Committee as the Peterbilt line representative in 1985.

After serving in the army in the early 1950s, Engs joined his father's Diamond T dealership in San Francisco, starting out in the parts department. When he took over the store himself, Engs purchased the Peterbilt franchise.

Engs also has an interest in a truck parts and equipment store in Sparks, NV. He is the sales leader in his region and has received numerous sales awards.

Engs is a former director of the Pico Rivera Chamber of Commerce. ■



International

John Ray succeeded Bernie Uhl as the line representative at last year's convention. President of Colonial International in Greensboro, NC, Ray has been active in both the manufacturer and dealer sides of the truck business since 1965.

Starting in the sales management program in 1965, Ray became the International zone manager for central North Carolina in 1966. He started working in a dealership in 1968 and purchased that store—Carolina Truck and Trailer Sales—in 1972. He currently operates a GMAC franchise at that store.

Ray has been a member of the IH Circle of Excellence four times and is the sales leader in his region. He is a director in the North Carolina Automobile Dealers Association and in the North Carolina Motor Carriers Association. ■



Volvo White

James E. Howe Jr. is president of Rhode Island Truck Sales Inc. in East Providence, RI. He took office as the

Volvo White line representative in 1985.

Howe started in the trucking industry as a driver at the Boston Fish Pier during the summers while he attended Tufts University. He took over his current dealership in 1975. Originally only a White dealer, he added GMC in 1981, when White went into Chapter 11 bankruptcy.

He has done well in the resurgence of Volvo White, receiving the Volvo White Sales Excellence Awards in both 1982 and 1983 for exceeding sales quotas.

Howe is a member of the U.S. Chamber of Commerce and sits on the Board of Directors of the Rhode Island Truck Owners Association. ■



Ford

Lawrence J. O'Connor, president and chairman of the board of O'Connor Truck Sales in Philadelphia, PA has been the ATD Ford line representative since 1984. O'Connor founded his dealership in 1969.

O'Connor has served as chairman of the Ford National Dealer Council and as regional representative of the Freightliner National Dealer Council. In 1983, he served as a vice president of the Pennsylvania Motor Truck Dealers Association.

O'Connor won Ford's Distinguished Achievement Award each year from 1970 to 1983. He won a Ford Customer Service Citation from 1978 to 1983. He also won Freightliner's Distinguished Sales Award in 1982 and 1983. In 1982, he was nominated for the Truck Dealer of the Year award. ■

LINE REPS



Freightliner

Vernon A. Porter, president of Fort Worth Truck Center and Dallas Freightliner Truck Sales Inc., is ATD's Freightliner line representative. He assumed that office in 1984.

In addition to running his dealerships, Porter serves as an active vice president in a truck parts business, a truck tire business, a freight carrier and two full-service leasing companies. He is currently a member of the Freightliner National Dealer Council, the Texas State Truck Dealers Committee, the Texas Motor Transportation Association and the GMC National Parts Advisory Council.

Porter previously served as White Motor Co. National Dealer Council president, Freightliner National Dealer Council chairman, Freightliner representative to the Rockwell Dealer Advisory Board, chairman of the Texas Automobile Dealers Association's Truck Dealers Division, New Car Dealers of Tarrant County president and was a 1978 regional winner of *Business Week's* Truck Dealer of the Year award. ■

icum, MD, joined the ATD Committee as Mack line rep in 1984.

Parker was named Mack's Atlantic Region Distributor of the Year in both 1978 and 1980. He served on Mack's National Distributor Advisory Council from 1977 to 1982. He was vice chairman of the council from 1981 to 1982. He also has represented truck dealers on the board of directors of the Automobile Trade Association of Maryland and has served on the board of the Maryland Motor Truck Association since 1980. Prior to his current term, Parker served as an ATD line representative from 1977 to 1980. ■

sentative at the close of the ATD Convention later this month. He will succeed Edward Gallagher.

President of Desert GMC in Las Vegas, NV, Carter has been a truck dealer since 1973. Previous to that, he worked for GMC Truck and Coach Division for seven years.

In his career as a dealer, Carter has won numerous awards, including a 1982 GMC Customer Satisfaction Award and his manufacturer's top-five dealer award for five consecutive years. He also served as chairman of the Sales Committee of the GM Parts Council from 1979 to 1984. ■



Chevrolet

Arthur E. Gunderson, president of Gunderson Chevrolet Inc. in Osseo, WI, has served as ATD Chevrolet line representative since 1974.

He has worked in the trucking industry since he was 16 years old. In 1975 he was named Wisconsin Truck Dealer of the Year and was nominated for the national Truck Dealer of the Year award. ■



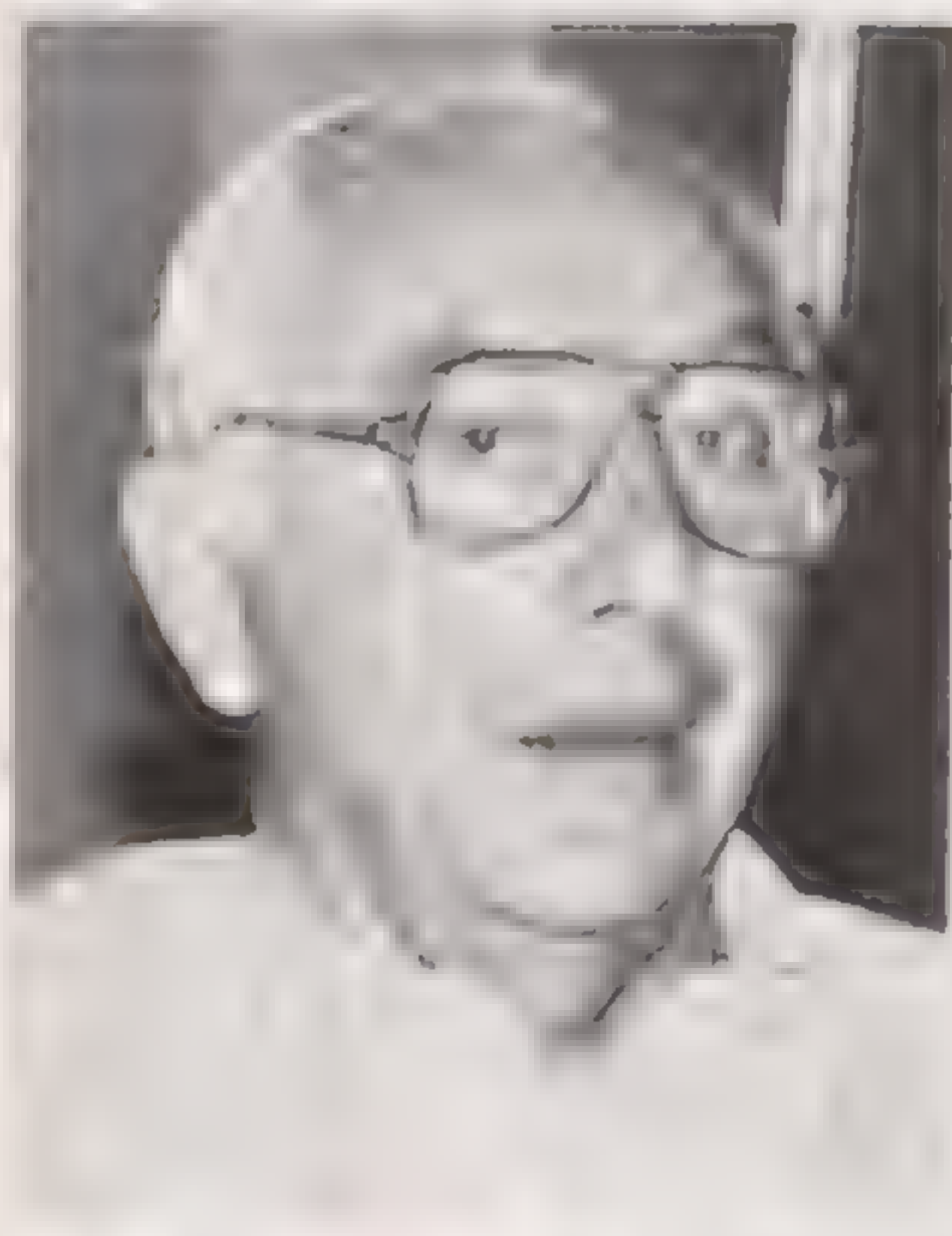
Outgoing Chairman

Arnold S. Lessing will hand over the gavel to incoming ATD Chairman Bernie Uhl at the close to this month's ATD Convention in Anaheim, CA. He has served as ATD Chairman since 1984. He is president of Denver Peterbilt, Denver, CO.

Lessing started in the trucking industry in 1951 with the Missouri Truck Line and later moved to Trailmobile in 1960. In 1965, he acquired Denver Peterbilt. He was recognized for his business success in 1982 with the Western region sales award.

Lessing served as the ATD Peterbilt line representative from 1980 to 1983. He served several times as Governmental Relations Committee Chairman and was ATD vice chairman in 1983. He has also served on the NADA Management Education Committee and the Dealership Operations Committee.

As ATD chairman, Lessing was an active member of the NADA Executive Committee. ■



Mack

Edward C. Parker, president of Baltimore Mack Trucks Inc. in Linth-



GMC

Larry Carter, the 1985 *Business Week* Truck Dealer of the Year, will take office as the ATD GMC line repre-



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Changing Truck Market

By Gerry Donohue

The truck industry is well-suited to the brokerage system, and from the start, the franchised dealer has been that broker. For the manufacturer, the system provides a reliable, low-cost, nationwide distribution system; for the dealer, high return in exchange for high risks. In this current period of production overcapacity, however, manufacturers have altered this relationship—lowering dealers' returns by supporting alternative distribution systems.

"The manufacturers are implementing short-sighted policies," says Jim Westlake, director of NADA's American Truck Dealers Division (ATD). "The only thing that has changed is the overcapacity in the market, which they are trying to solve in ways that affect dealers. And dealers aren't the problem."

The problem is simple: too many manufacturers with too many trucks to sell. When enough manufacturers get out of the market to bring supply in line with demand, the current aberrant market situation will straighten out. Until then, however, manufacturers will continue to endanger the health of the franchised dealer system by giving rise to a host of market-niche competitors.

These competitors—full-service leasing companies, warehouse parts distributors and independent garages—are gaining increasing market prominence. They offer specialized service at a price often cheaper than a full-service dealer. Their prominence will continue to grow, at dealers' expense, unless dealers meet this very real challenge, changing as the system demands and retaining their value.

Full-Service Stores

"Dealers must continue to add something to the transaction, tangible or intangible," says Stuart MacKay, an independent industry consultant. "If they don't, there's no need for them to participate."



Photos courtesy Navistar International

Many industry analysts believe the truck industry will become increasingly consumer-driven. Consumer demands will take the market in uncharted directions; if dealers don't respond, they will lose out.

"In the past, many dealers have been slow to react to market forces," says Westlake. "But customers are continu-

ally changing and dealers must be attuned to those changes."

Customers often perceive dealers as overpriced and unresponsive. And those perceptions spur customers to search for newly available alternatives. The dealer needs to win those customers back, but it won't be easy.

Truck buyers are increasingly sophis-

Dictates Dealer Evolution

ticated. They are cost conscious and understand the intricacies of the business. They want trucks to suit their jobs, service agreements to match their needs and individual attention to solve their problems. Dealers have to be able to compete for their business—among themselves and against the specialists—offering complete and responsive services.

That competitive pressure is even more intense today as product similarity grows. Trucks and components no longer boast exclusivity; brand names no longer ensure sales.

"A store whose reputation rests exclusively on the brand name everybody else can carry has no reputation or identity at all," management expert Peter Drucker writes in his book "Managing For Results." "All it has is an address."

To establish its own reputation, a dealership must meet the full spectrum of customer needs. That means dealers must diversify. No longer is it enough to sell and service trucks. Dealers have to lease trucks, offer service programs such as preventive and contract maintenance, have strong and comprehensive F&I programs, provide contract drivers, run a body and paint shop, rent trucks, sell fuel and tires and offer weekend service. Whatever the customer wants, the dealer must provide it at a competitive price.

"The truck industry is the free enterprise system at its best," says Bernie Uhl, Navistar International dealer and chairman-elect of ATD. "If we can't service our customer, we don't deserve the business."

Dealers do have several natural strengths in the market that they must exploit to the fullest—an established distribution system, an intimate knowledge of the local market and close ties with the manufacturers. But they must move forward.

To survive, Stuart MacKay believes that dealers will have to alter their emphases among the dealership departments. In 1983, he says, almost 60 percent of the average truck dealership's business was new trucks, 13 percent

Financial Profile— Medium and Heavy-Duty Truck Dealerships			
Operation recap (Average)	Fiscal Year 1985	Fiscal Year 1984	% change
Total sales	\$10,155,764	\$9,848,614	3.12
Total gross profit % of sales	\$1,600,076 15.8	1,574,708 16.0	1.61
Total expenses % of sales	1,415,464 13.9	1,332,651 13.5	6.21
Operating profit % of sales	184,612 1.9	242,057 2.5	-23.73
Net profit before tax % of sales	246,737 2.4	309,385 3.1	-20.25
<i>Source: NADA Industry Analysis Division</i>			

used, and 29 percent parts and service. In the 1990s, MacKay asserts that balance should be 25 percent new trucks, 15 percent used, 40 percent parts and service and 20 percent other services, such as leasing and financing.

"The dealer has to establish control in the areas where he can add value," MacKay says.

New Trucks

De-emphasizing new-truck sales in the dealership of the 1990s is a realistic response to the maturing and overcapacity of the medium- and heavy-duty truck markets. The market has registered no real growth since the mid-1970s, and industry analysts say that situation will remain indefinitely.

"It's a replacement market now," MacKay says.

ATD's Westlake points out, however, that dealers have the opportunity to win a good share of replacement sales because the small, independent trucking companies—dealers' traditional customers—are operating the oldest trucks.

Nevertheless, dealers who increase their new-truck volume will, at best, only be treading water, because the manufacturers continue to cut margins to the barest minimums to keep product

moving.

"We can't survive just selling trucks anymore," agrees George Rafferty, ATD's Kenworth line representative. "We have to become more pliable. With the profits gone from new trucks, we have to look in other areas, such as used trucks and leasing."

The popularity of leasing and the growth of the leasing companies have been a major concern for dealers. Capitalizing on subsidies and other preferential treatment from the manufacturers, leasing companies have cut deeply into dealers' already stagnating new-truck sales.

"The leasing companies could become non-franchised franchised dealers," NADA Vice President J. Ferron told dealers at the 1985 ATD Convention. "It's up to dealers to make sure that doesn't happen."

Leasing companies have capitalized on the trend toward fewer and larger customers. Today, 15 to 20 major trucking companies command a disproportionately large share of the market. They can make demands that dealers cannot meet. The leasing companies, however, taking advantage of subsidies, can offer these customers large numbers of standardized trucks at a low cost with strong service programs.

What's Ahead for Dealers

To respond to the current volatility of market forces, ATD has scheduled a panel discussion during this month's ATD Convention on the state of the American truck market. The program will be similar to discussions held during the past two conventions, in which industry experts give their views on the industry and then field questions from the dealer audience.

During the 1985 convention, the panel discussed "Industry Trends a Dealer Can't Afford to Ignore." ATD Chairman-Elect Bernie Uhl, PAC-CAR's Malcolm Phares, Rockwell In-

ternational's Hal Booth and NADA Vice President J. Ferron gave their own views on the subject, discussing many of the issues addressed in the accompanying article.

ATD has also scheduled educational programs for dealer members to help them operate better in today's market. Last October, a two-day seminar on contract maintenance was held in Dublin, OH; this year, ATD has scheduled a number of management workshops at the ATD Convention. Additional programs are being planned. ■

This volume business has contributed heavily to the leasing companies' 30-percent share of the new-truck market. To prevent that share from growing, dealers have only one alternative.

"In a metro area," Bernie Uhl says, "the dealer that will survive without a leasing company will be a rarity."

Uhl, who owns two dealerships and a leasing company, sees the dealer as strong competition for the small and independent leasing companies.

"Dealers have the marketing expertise, a built-in method of disposing of trucks once they're off-lease and can get parts at the best price available," he says. "We do, however, have the disadvantage of high overhead."

"We won't be able to compete with the big companies," he says, "but we will be able to protect the balance of the market."

Stuart MacKay also asserts that leasing is a good alternative for dealers.

"In leasing, the dealer can control the vehicle," he says. "He controls the service and the parts, so he gets a very good vehicle at the end of the lease period. He also gets the added bonus of pushing out the competition for parts

and service on that truck."

Service and Parts

The leasing companies have made major incursions into the dealers' service business. While they almost automatically get the service business for the trucks they lease, they have also started getting the business on trucks that franchised dealers sell. Furthermore, the number of independent garages is increasing, pulling away more service business.

Dealers now have approximately 10 to 15 percent of the service market; to survive into the 1990s, they have to increase that percentage significantly.

In the service area, however, dealers are no longer the first choice, because they have not been innovative or aggressive enough in the quest for increased business. Where leasing company garages stay open around the clock and offer customers a variety of service programs, many dealers continue to do business as usual—eight hours a day, five days a week. In today's competitive market, that's not nearly enough.

ATD's Navistar International Line Representative John Ray knew that his

service department wasn't doing enough. So for the past year, he has concentrated on increasing service traffic at his two dealerships.

"We are trying to regain the business we lost to the full-service leasing companies," Ray says. "By changing our shop personnel and becoming more customer conscious, we increased business more than 50 percent. But I don't think we'll be where we want to be until we're open 24 hours a day, seven days a week."

Ray knows that the only way to increase business is to do what the customer wants. When asked what they are looking for in a service garage, trucking companies will always come around to the same familiar answer: "More road time, less downtime." For any garage to meet that requirement, it needs fast, competent mechanics who do the job right the first time. And it needs to offer innovative service programs, such as contract maintenance.

Contract maintenance is popular with trucking companies. For a fixed cost they can keep trucks running by servicing them when they're off the road; costly breakdowns occur less frequently.

"Contract maintenance is a good idea for a dealer, too," says MacKay, "but it requires a real knowledge of the customer and his needs. The dealer has to offer the right service at the right time for the right price. If done correctly, it works out well for both parties."

Another relatively untapped service market for dealers is the self-service fleets. Either because they don't trust others to perform repairs or they can't find good service at the right price, these companies continue to run their own garages, often either breaking even or losing money.

"An aggressive dealer can make money by offering good, low-cost service to these fleets," MacKay says. "The dealer gets the business and the fleets save some money."

Bernie Uhl believes dealers stand on the verge of an even better opportunity to increase service business. The new

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"Dealers will have to buy smarter and merchandise smarter. I'm not ready to write off that we'll lose market share."

generation of trucks, with a large number of electronic components, will require an entirely new—and expensive—range of diagnostic and repair equipment. Dealers will have to buy this equipment, probably long before the specialists, and thus will have the first crack at servicing the new models.

If dealers do a good job, offering fast, quality service, innovative and comprehensive service programs, long hours and an understanding of customers' needs, they will be able to hold on to this business.

Before any of these new opportunities can be realized, however, dealers have to reorient themselves. No longer can they think of the service department as the back end of the business. They must realize that in this time of minuscule new-truck margins, the service department offers profit potentials equal to or exceeding the new truck department.

So does the parts department.

"The loss in dealer parts market share is alarming," Uhl says. "Where we once had 100 percent of this multi-billion dollar industry, today we have only 34 percent."

That loss in market share can be attributed to dealer setbacks in the service market and to the rapid growth of warehouse parts distributors. These specialized distributors sell manufacturer parts at lower prices than dealers. And in this viciously competitive market, where margins are falling like a barometer before a hurricane, the distributors seem to have a lower profit threshold than dealers.

To remain in this market—and remain they must—dealers will have to live with lower margins and will have to do more homework.

"Dealers will have to buy smarter and merchandise smarter," says Uhl. "I'm just not ready to write off that we'll lose market share."

Meeting Customers' Needs

"The bottom line is we have to offer full service and we have to be competitive," Uhl says. "That means we're



going to have to be big enough to meet all the customers' needs and to buy in sufficient quantity."

It's almost a foregone conclusion that the trend towards mega-dealerships and chain dealerships will continue, if not accelerate. Satellite stores, which may offer only service and parts, will become more common as dealers strive to meet customer demands better.

"These satellites will be nothing but computer-linked arms of the central dealership location," Uhl says. "They will be in smaller towns, where competitive pressures are not as great."

These larger dealerships will put intense competitive pressure on the smaller dealerships, because they will need

bigger market territories. Many smaller dealerships will be swallowed up or forced out of business. Stuart MacKay says, however, that this attrition is necessary for the continued health of the dealer body as a whole.

"There are too many truck dealers today," says MacKay. "We could lose about one-third and do the job."

Those dealers who lose out will be the marginal dealers, the ones who didn't respond to market demands. They will be forced out because the old ways of doing business, selling trucks to the exclusion of almost everything else, no longer work.

"As the rules of the game change," says Bob Young, ATD 20-Group manager, "the dealer's asset management talents will become more important. The dealer's survival will depend on his expertise as a total businessman."

One of the dealer's most important assets will be his employees. They are his contact with his customers; they get the business—or lose it. Pay plans must be geared to market realities; a new truck salesperson can't make a living off a percentage of the minuscule margins. Training, both formal and in-dealership, has to focus on increased productivity. Dealerships will need more and better employees, but they will also need to get more out of each employee.

"We can no longer afford just to continually raise prices," says Uhl. "We have to increase productivity and contain costs."

Dealers have been major players in the truck industry from the start and they can continue to be. But the dealer that survives into the 1990s must be more sophisticated. He must be able to manage a large, diversified dealership, hire and retain high-quality people and win out over competitors who do not always face the same pressures or play under the same rules. The risks will continue to be high, but if the dealer is prepared, so the returns will be, too. ■

Gerry Donohue is assistant editor of Automotive Executive.

"Any dealers that doesn't have an F&I manager is really missing the boat."

 Bob Swope
President
Bob Swope Ford, Elizabethtown, Kentucky

Bob Swope grew up in the car dealership business. His dad and his uncle started their dealerships in the early 50s. And currently, there are seven dealerships within the Swope family.

Bob founded his own Ford dealership ten years ago. And he's built it into a major competitor in the Elizabethtown/Fort Knox market, earning Ford's Distinguished Service Citation for each of the last five years, as well as the 1982 Commitment to Quality Special Recognition Award and the 1984 Distinguished Achievement Award.

Bob is also past president of the Elizabethtown Rotary Club and is actively involved with local Boy Scouting.

With a new vehicle ESP sales penetration of 70 to 80%, Bob's thoughts on this subject carry a lot of credence...

AN F&I MANAGER AND ESP:

"I firmly believe if we did not have an F&I manager,

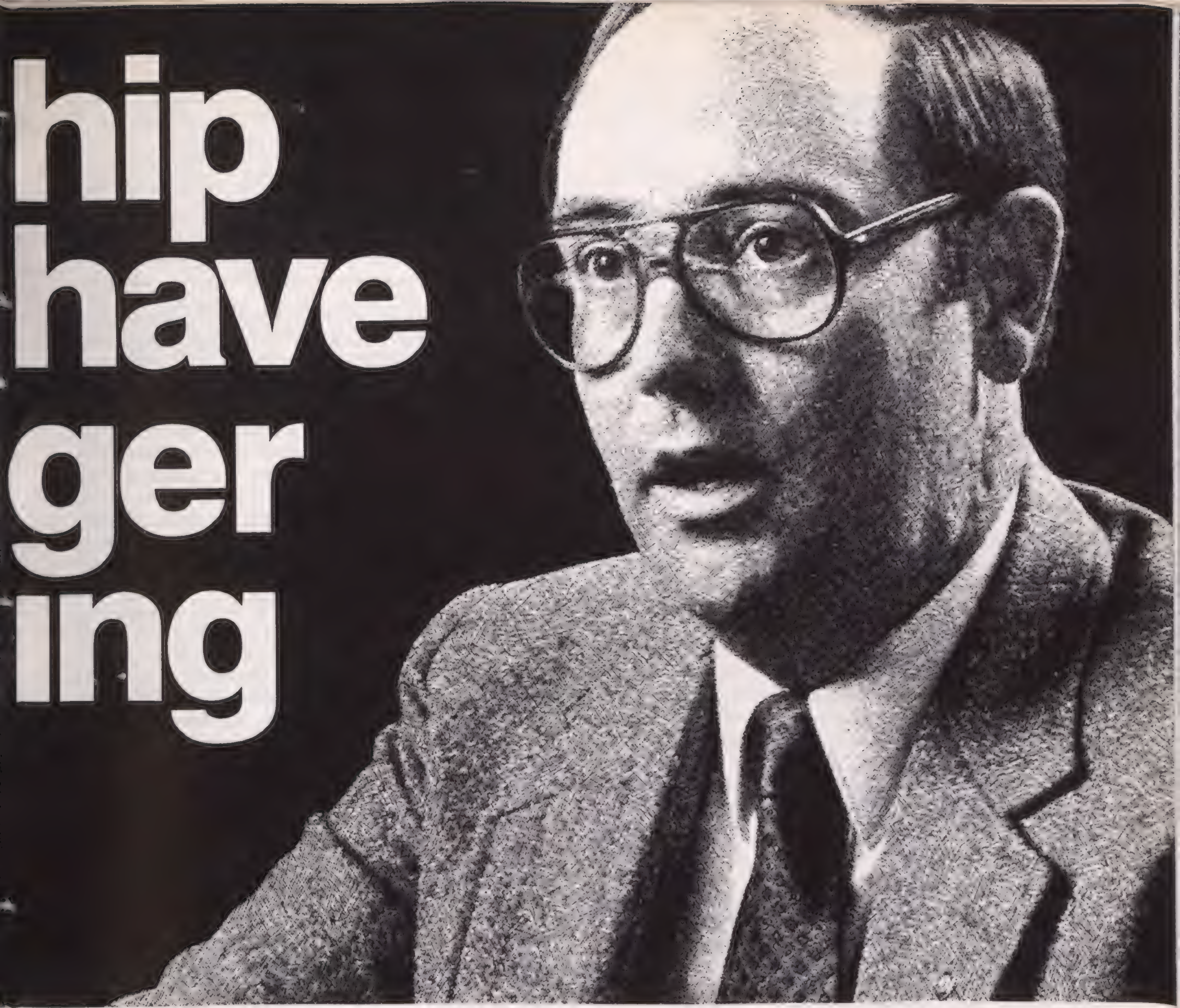
we wouldn't have anywhere near the penetration levels that we do on ESP. At my dealership, every customer—even those who want to pay cash—are introduced to my F&I manager. And he takes them through everything else we offer, starting with ESP. Because F&I can add a great deal of additional income to the sale of the car."

THE EASE OF SELLING ESP:

"We've been selling ESP almost as long as there's been ESP. And 96 to 97% of our ESP sales are for ESP Plus.TM And most of them have been on a full five-year, 60,000-mile contract. That's because everyone at the dealership believes ESP Plus offers our customers the best value for the money.

"People who buy a car today are concerned about the kind of service they're going to get from their car down the road. Many have had service problems with previous automobiles. ESP answers an awful lot of these customer concerns. Just presenting the product

hip have ger ing



in its complete form will go a long way toward selling it.

"I think dealers that aren't getting at least 50% penetration are dealers who aren't giving every customer an opportunity to buy ESP."

ESP AND CUSTOMER SATISFACTION:

"I came up through the service end of the business, so I'm used to dealing with customers' service problems. Our philosophy has always been to say 'yes, we can' and get customers' service problems taken care of."

"That was the primary reason we started offering ESP nine years ago. Now we've found that it's become a major profit center and a very important part of our overall business."

"ESP keeps customers coming back to our dealership for service. Therefore we have more contact with them. And we're much more sensitive as to when they're ready to trade again."

THE IMPORTANCE OF THE FORD NAME:

"We play on the Ford name pretty heavily. When you tell a customer that he has over 6,000 dealerships throughout the U.S. and Canada to take care of his service, that means a lot. The fact that ESP has the Ford name on it, as opposed to some XYZ insurance company's, lends us a lot of credibility. We feel the Ford name alone is responsible for at least 20 to 30% of our ESP sales penetration."

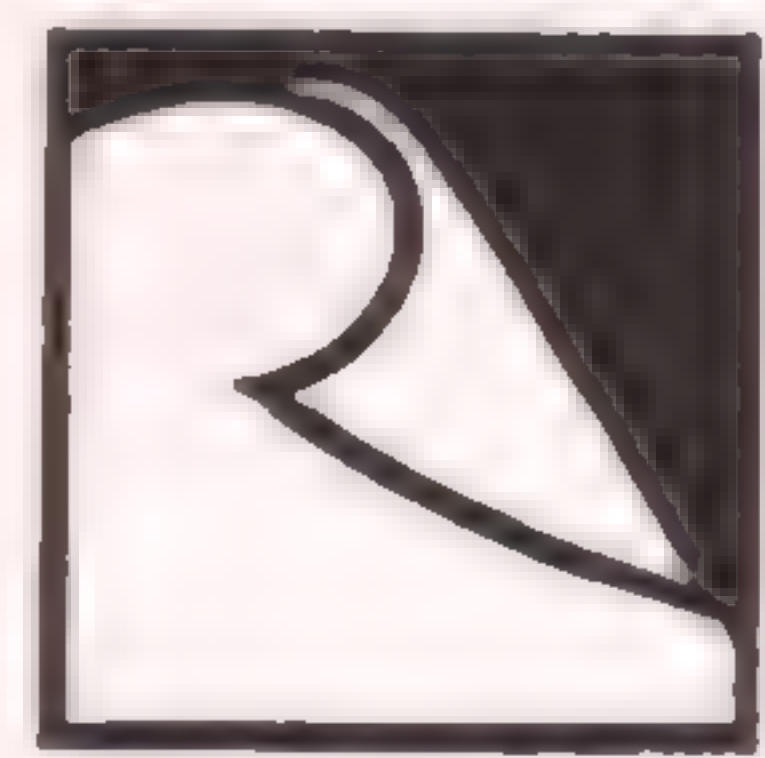
"Like I've said, F&I has become an increasingly important part of the dealership business. Just making customers aware that you offer ESP should move you to the 50% penetration level. And a little well-applied salesmanship should move you up to the high penetration levels we've achieved."

If you'd like more of Bob Swope's insights into selling Ford ESP, give him a call at (502) 737-1000.



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Emission Control Tampering

Smart dealers know they should take precautions with trade-ins to avoid the problems of emission control tampering.

The customer trade-in often plays an important role in the sale of a new vehicle. The customer benefits by cashing in on the value of his used vehicle in a simple, trouble-free fashion. The dealer benefits by turning a secondary profit when the trade-in is sold to a wholesaler or at retail. For this mutually beneficial transaction to work, the dealer must accurately assess the trade-in's value.

Unfortunately, some customers misrepresent the condition of their trade-in vehicles to dealers. For example, almost every dealer has experienced or knows a dealer who has experienced the problems that result from a trade-in that has had its odometer rolled back. This column will focus on problems that can arise when a trade-in customer has tampered with the emission control system and on how a dealer should protect himself in such a situation.

Emission control tampering continues at a substantial rate. A report recently released by the U.S. Environmental Protection Agency concludes that nearly one-quarter of the 1975-1984 model year vehicles surveyed showed evidence of emission control tampering. Another 29 percent had arguably been tampered with (EPA couldn't determine if tampering was a conscious act) and 4 percent had malfunctioning emission control components.

Common tampering methods include removal of catalytic converters, hindering of exhaust gas recirculation systems, alteration of filler neck inlets to permit leaded gas in unleaded-only vehicles, disabling of air pumps and evaporative systems, and tampering with positive crankcase ventilation.

Federal law establishes severe civil penalties for emission tampering. The Clean Air Act makes it illegal for anyone to remove or make defective any part of a motor vehicle's engine designed to make the vehicle comply with the act

before the vehicle is sold and delivered. It is also illegal for any manufacturer or dealer knowingly to remove or tamper with any such device *after* sale and delivery of the vehicle to the ultimate purchaser.

"Ultimate purchaser" is defined as the first person who in good faith purchases a motor vehicle for purposes other than resale. Violation of this provision may result in a civil penalty of up to \$10,000 per violation.

Under federal law, it is also illegal for "any person engaged in the business of repairing, servicing, selling, leasing or trading motor vehicles or motor vehicle engines" knowingly to tamper with emission control equipment *after* the vehicle is sold and delivered. Violation may result in a fine of up to \$2,500.

It is clear that under no circumstances should a dealer alter, remove or incapacitate an emission control device on any new car before or after sale or on any used car or trade-in.

Since federal law does not require a dealer to repair or restore an automobile that has been tampered with previously, he may resell such a vehicle in its tampered condition if two conditions are satisfied. First, the dealer must comply with all state laws governing emissions tampering. The federal Clean Air Act allows for state laws that control, regulate or restrict the use, operation or movement of registered or licensed motor vehicles.

Some states have enacted provisions that require replacement of missing or inoperative emission components, or prohibit operation of a vehicle without all emission components present and working, or prohibit tampering by individuals as well as commercial enterprises. For an outline of state law provisions, see the accompanying table.

In states that prohibit or limit "as is" sales, emission controls may be interpreted as an integral part of a used automobile, so that their existence and operation would be considered covered by implied warranties of fitness and merchantability. Some states may also

consider the sale of a tampered vehicle or failure to disclose tampering a violation of consumer protection laws.

Dealers who conclude that they fall under neither a federal nor a state duty to reinstall control devices or otherwise repair tampered trade-ins should consider taking steps to document previous tampering and to disclose it to the vehicle's purchaser. The dealer should:

- Obtain a signed statement from the trade-in customer that outlines the tampered condition of the vehicle. A copy of this statement should be kept.

- At the time of sale to a used vehicle purchaser, the dealer should make a clean, written disclosure of all known tampered conditions. The purchaser should sign a statement indicating awareness of those conditions, and a copy of that statement should be kept.

Dealers always have the option of refusing to accept tampered trade-ins and so avoid any risk of liability. In addition, dealers may choose to perform or contract out any necessary emission control repairs. Dealers who do so should ensure that the emissions repairs conform to originally manufactured vehicles. Aftermarket parts should perform properly, without adversely affecting engine performance.

It is not unreasonable for an emission control repair to total \$400 or more. Therefore, it is crucial that dealers carefully examine the emission control system when the trade-in is first assessed. By doing so, the dealer will be able to calculate accurately the nature and extent of any tampering and make a commensurate reduction in the trade-in allowance, or simply refuse to accept the trade-in. An effective emission control check involves a search for missing or defective components such as catalytic converters or fuel nozzle restricters. The dealer may also detect obvious tampering with a tailpipe probe test.

By taking precautions, the dealer can easily avoid having to increase the price of his used cars and, better yet, avoid exposure to substantial fines.

—Douglas Greenhaus

Program type		Does the state prohibit:						
State	Tampering	Inspection & Maintenance	Safety	Tampered vehicle registration	Tampered vehicle operation	Tampered vehicle sale/resale	Tampering law in general	None
Alabama					X		X	
Alaska				X				
Arizona		LA		X			X	
Arkansas			SW		X		X	
California	LA	LA		X	X	X	X	
Colorado	LA	LA		X	X	LA	X	
Connecticut		SW					X	
Delaware		LA						X
Florida								X
Georgia		LA			X	X	X	
Hawaii							X	
Idaho	LA	LA			X		X	
Illinois							X	
Indiana		LA					X	
Iowa								X
Kansas				X			X	
Kentucky		LA					X	
Louisiana			SW				X	
Maine			SW	X	X			
Maryland	SW	LA	SW	X	X	X	X	
Massachusetts	SW	SW					X	
Michigan							X	
Minnesota					X	X	X	
Mississippi								X
Missouri	LA	LA	SW	X	X	X	X	
Montana					X	X	X	
Nebraska					X		X	
Nevada		LA					X	
New Hampshire					X		X	
New Jersey		SW	SW		X	X	X	
New Mexico				X	X		X	
New York	SW	LA	SW	X	X	*	X	
North Carolina	LA	LA	SW		X		X	
North Dakota					X		X	
Ohio								X
Oklahoma			SW	X	X	X	X	
Oregon	LA	LA					X	
Pennsylvania		LA			X			
Rhode Island		SW	SW	X		X		
South Carolina								X
South Dakota					X		X	
Tennessee		LA	LA				LA	
Texas	LA		SW		X	*	X	
Utah	LA	LA			X		X	
Vermont							X	
Virginia		LA	SW	X	X		X	
Washington		LA					X	
W. Virginia							X	
Wisconsin		LA		X	X		X	
Wyoming					X		X	
SW = Statewide program LA = Confined to local area * = Applies to regulated parties only				Source: EPA Office of Mobile Sources, January 1986				

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Circle #4 on Reader Service Card

PROMO POWER



Illustration by Julie Dargis

SAY IT WITH COOKIES, TAPES, TOYS OR A HOLE-IN-ONE

By Ted Orme

Bert Boeckmann is an expert at customer satisfaction. His Galpin Ford dealership in Sepulveda is *the* most profitable Ford store in Southern California because he pays close attention to the likes and dislikes of customers and community—a fact that earned Boeckmann the 1984 *Time* Magazine Quality Dealer of the Year award. One of the reasons for this success is cookies.

That's right, cookies. All new-car buyers at Galpin Ford receive either a

tin of cookies or a potted plant (if they live near the dealership) and a one-year subscription to *Valley Magazine*. Included is a personal letter from Boeckmann thanking customers for their business and requesting that they send back a short questionnaire on their satisfaction with the sale and delivery of their car. Not surprisingly, 90 percent return the card, which is then used by Boeckmann to fine-tune every aspect of sales and service.

"Normally, a follow-up card has a return rate of about 50 percent," Boeckmann explains. "So we used to

call back a lot of customers. But that's very time-consuming and often customers are hard to locate. And if the customer is unhappy with the salesman that makes the call, you won't get reliable information anyway."

Ten years ago Boeckmann began a gift program because "it shows customers the dealer really does care about them and is not just out for their last dime. It also puts them in the right frame of mind, if they are unhappy, to give you a description of the problem."

"Occasionally you get that horror story from the customer who tells you

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Circle #13 on Reader Service Card



**DEALER
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**Ten years ago,
Boeckmann began a gift
program because it
shows customers the
dealer really does care for
them and is not just out
for their last dime.**

how everything went wrong from day one," he continues. "I want to be able to point to the exact problem and say that I have done everything possible to satisfy that customer."

All response cards come directly to Boeckmann. Either he or his general manager contact both the customer and the source of the complaint in the dealership to resolve any and all problems. "Many times, when customers get that second follow-up call, they say 'Gee, I never had a dealer call me about a problem. You people really are interested, aren't you?'" Boeckmann adds.

Gifts go out about a month after delivery of new cars. That way, if the customer had any early problems with his car, "he would have been in and out of the service department, and it gives me a measure of how he was handled," Boeckmann notes.

Boeckmann uses a local merchant for his potted plants—an arrangement that benefits both businesses—and Customer Relations Service, Panorama City, CA, for his cookies. His cost for the gift, the subscription to *Valley Magazine* (which, incidentally, is published by Boeckmann's wife, Jane) and mailing comes to \$17 per customer. "A minor investment considering the benefits," he concludes.

Fred Gansky, president of Customer Relations Service, guarantees at least a 70-percent return rate on his follow-up/referral gift programs, which include jars of candy with the dealer's name on them. He also offers an optional "coupon book" enclosure for parts and service discounts and a free after-sale prospecting guide to use in conjunction with the response card. A comprehensive training and maintenance program is also available at a separate charge. Gansky claims new companies joining the program have seen 20 to 25 percent increases in their CSI in only four to six months, for an average cost of \$10 per customer.

The Gift Connection, Sherman Oaks, CA, also specializes in sweet deals, hand delivering a tin of cookies with the



dealership's name on it and a response card to the home or office (preferably the office, where more people see it) of new-car buyers, then following up with a response card four months later.

"It's common knowledge that just to get a lead in the door costs dealers \$150 to \$200," points out Gift Connection President David Reese. "That's five to 10 times more to get a new lead than to keep an old one. Our program generates both and costs only \$10 per customer."

"The follow-up response card is critical because, even though we can boast of between 65 and 75 percent response rate for the cards, there are still people out there who don't send them back,

and you want to identify dissatisfied customers," adds Reese, ticking off numbers that could make the bravest dealer shiver. "For every complaint you hear there are 26 other dissatisfied customers who don't complain but are dissatisfied nonetheless. And each tells 10 to 12 people of their dissatisfaction. Satisfied customers tell three to five."

The Gift Connection also provides free sales training tapes devoted exclusively to follow-up techniques, such as how to identify customer dissatisfaction and how to deal with it. It also recently introduced a service department sales lead system.

Rudy Craft, president of Autohaus Pompano Inc., Pompano Beach, FL, has another way of thanking customers. As befitting a Mercedes-Benz dealer, his salespeople personally deliver to the homes of recent buyers a set of wine glasses and a carafe with Mercedes' three-point star and an Autohaus logo etched on them. "It gives salespeople a chance to say thanks and ask how everything is, and customers certainly like it," says Craft. "Plus, it only costs me about \$12 to \$13 a customer."

The wine glasses and carafes can also be found in Autohaus' 25-foot display case of boutique items, which Craft says is "big business." Items range from sunglasses to tennis and jogging outfits to big, \$85 Mercedes-Benz teddy bears "that grandparents can't seem to walk out without," he adds.

But the star of this display is a German-made, gasoline-powered miniature Mercedes 560SL that sells for \$1,995. These "toys for rich kids" are imported by Worldwide Cars Inc., in Pompano Beach, which also handles miniature Porsches and Lamborghinis, sold through exclusive toy stores such as FAO Schwarz as well as automobile dealers.

Craft first used one of the cars in an ad showing a cute little girl sitting in one saying, "My Mommy and Daddy both drive Mercedes—me too." He also auctioned off a mini 560 SL, with Autohaus emblazoned on it, as part of his big "October Fest" promotion for the

Cool Car, Hot Promo



Top: Visitors to Hub-Chrysler/Plymouth test drive the frozen LeBaron. Right: Professional ice sculptors Gordon Taylor (left) and Don Berg show Russ Forrest (seated) the features of their 16-ton ice sculpture.

By Ron Gillette

About 10 miles north of Milwaukee is Cedarburg, WI, a town that has captured more than its share of Wisconsin's substantial tourist traffic. Cedarburg's draw is its Old World German ambience, year-round Christmas shop, covered bridge and winery. The town successfully markets itself as "Historic Cedarburg."

A few miles south is Thiensville, a town that, if noted at all, is noted for being "on the way to Cedarburg." Russ Forrest, president of Hub Chrysler/Plymouth of Thiensville, watches traffic zip past and ponders methods of snagging business for his dealership and town.

"Our trading area is five miles square," says Forrest. "I can live on that (100 new and 70 used cars and trucks), but I'd like to expand. I'll try anything once. I'm in charge of crazy ideas."

And so, in early December, Hub took delivery of 85 huge blocks of ice. On December 9, Don Berg and Gordon Taylor, professional ice sculptors from Winterfun Inc., began carving the blocks into a full-scale, 16-ton Chrysler LeBaron convertible, top down, door open, accurate in every detail down to the Pentastar. On December 14, the contest began.

The contest's rules were simple: Buy a \$1 raffle ticket (proceeds going to the Thiensville Business Associa-

tion) and guess the melt date; the winner receives a vacation trip. To get to that simplicity, however, the man in charge of "crazy" ideas went through a lot of gyrations.

"I want to increase business, but my larger goal is to create cohesiveness in the Thiensville business community. We're in the same beautiful part of the world as Cedarburg, and there's no reason we can't emulate their success. We've discussed a river ferry, a softball tournament and a host of other ideas, but collective action doesn't seem to be our strong suit.

"I didn't want to create the illusion that I was trying to run the town, so it was important to get strong participation," says Forrest, who designed his promotion as part of a townwide winter festival. He got his wish. Volunteer fireman hung a large street banner, an artist contributed poster art, a printer gave free paper, Boy Scouts and police contributed security, and other merchants donated prizes. Ice sculptures, professional and amateur, adorned two local shopping centers. Thiensville and Hub received radio and TV coverage.

While the pieces fell into place, Forrest, the organizer, was still worrying about pitfalls. "I knew that Alaskan towns hold similar contests to guess the date river ice breaks up, and those dates are determined by string triggers attached to clocks on shore, but at what time can you say that a LeBaron has melted? What if someone runs a hose over our fence?

"And what will the state of Wisconsin

says about the contest's legality? Wisconsin has no state lottery and even keeps a close watch on bingo. Shall participants guess the melt date or a lucky number hidden under the ice?

Forrest went with the melt date. A 13-inch chrome trim ring from a Horizon was concealed under the ice LeBaron, and meltdown will be considered complete when no ice remains under the ring.

The legal problems Forrest questioned did not materialize (he checked with the state's district attorney), but weather wasn't completely cooperative. "While the ice was being sculpted, we had warm weather. That was good. Temperatures above freezing help the blocks fuse and assure the sculpture won't fracture while being shaped," Forrest says. "However, the day the contest was supposed to kick off was the coldest day of winter. The warmest day came a week later."

All things considered, the contest has been a success for the dealership and the community, largely because of pre-planning. "During the period of the contest, vehicle sales have been up 70 percent from last year, service up 50 percent, and local officials *know* me. A village administrator even asked for a price on a fleet."

Forrest learned a lot about designing a successful promotion. "Some earlier efforts failed because they lacked a theme. Others failed because they were too long or complex. The ideal promotion begins with an event that captures the attention of the public and media



and continues for a fair length of time, with lesser events that hold attention. The newspapers and TV prefer big hooks, with visuals, and stories that don't require them on a given day."

"Will your event be a success if some parts fail? I had plenty of ideas for the sculpture that didn't work out. I hoped to get something in the Guinness Book of Records, but they were only interested in mass, and there was already a 17-story ice sculpture. I also hoped to draw in automotive suppliers as co-sponsors, but there were no takers. There will always be some disappointments, so make sure your promotion isn't dependent on every idea's success."

Perhaps Forrest's most important tips relate to prizes. "Do not offer cars, car rentals or service," he says. "The sales tax annoys the winners, they're dissatisfied with the color, options or model, and woe to the dealer who gives away a car that requires frequent service. His contest wins him ill-will. I once gave away 90 days use of a car. When it came back, it looked like an army had bivouaced in it."

"It is much better to give a lot of smaller prizes than one large prize. You want as many happy winners as possible."

For other dealers who, like Forrest, come up with "crazy" ideas, it's worth noting that Chrysler has promotion money available. The corporation kicked in \$3,000.

PROMO POWER

new 300 series cars. And Craft says the toy cars "come in great" for charity or civic raffles "where people line up to buy tickets at \$10 apiece," he adds. "People love it because it involves kids." Craft donates the cars and often other boutique items as door prizes and pays to print the invitations to such events.

Another Autohaus innovation designed to improve customer satisfaction and business is the use of recorded tapes from Telephonetics International, Penbroke Pines, FL. The tapes, which play while a customer is on "hold," deliver a short burst of music (you pick the type) followed by an individualized dealer message containing new-model information, sales promotions or service specials.

"I got sick of calling my own dealership and hearing a commercial for a competitor on the radio when I got put on hold," says Craft. "Worse, I had a customer tell me once that while he was on hold the local news featured an economist forecasting a horrible year ahead. The customer said he almost got talked out of buying a new car."

"Now I can control what goes on the tape, and the comments from customers have been 100 to one in favor. Even the guy waiting in the service lanes can at least see what's going on. But the guy left on hold, all he does is get mad."

That's why neighboring Pompano Beach dealer Harbor Chrysler/Plymouth began using Telephonetics tapes. "If you have an upset customer, being left on hold just makes them more upset," explains Secretary/Treasurer Sharon Craby. "It's hard to quantify the tape's benefits. We simply consider it part of an overall effort to increase our CSI. The phone is our direct contact with customers, and if they feel forgotten we don't feel that's right."

Craby adds that the owner, D. R. Baily, "puts a lot of emphasis on phone presentation. Our operators all take a special course for courteous and efficient telephone communication." Plus, she points out, "our telephone system is computerized, and if you don't have

something on hold, you just get dead silence. The only other choice is continual music or radio, which might be advertising another dealership."

Harbor tells customers on hold their hours, the fact that they are the No. 1 dealer in Florida, and gives details on any rebates or special promotions. "The tapes are very flexible and the reaction from customers has been very positive," adds Craby, who is now looking into Telephonetics tapes designed for new-car customers. These tapes, given at the time of delivery, explain the dealership's facilities and personnel (who to see for what questions), general warranty information and anything else the dealer desires.

Craby feels these tapes may complement an already comprehensive customer satisfaction effort, which includes a computerized telephone service by Data Management Inc. (DMI) of Fort Lauderdale, FL, "that calls back all our service customers to check on satisfaction," she says. "If they are not satisfied, the 'smart phone' computer voice asks why and provides us with a printout that even breaks down complaints by mechanic so we can pinpoint who is dropping the ball. We use a lot of different things to improve our CSI," Craby says. "We like to think we are very innovative."

Speaking of innovative, how about a "hole-in-one" car giveaway? This promotion has become increasingly popular in the past few years, and David Lema, vice president of Viti Brothers Inc., a Mercedes dealer in Middletown, RI, says "it really helps to get the dealership's name out in the public," particularly among the country club set. And, as the only area dealership with such a promotion, "it gives us a competitive edge," he adds.

Viti Brothers participates in several local golf tournaments sponsored by charities and civic or arts organizations, in which it donates a new Mercedes to anyone who scores a hole-in-one. The insurance to cover the cost of the \$25,000 car is provided by the National Hole-In-One Association of Dallas, TX,

"I want to be able to say that I have done everything possible to satisfy that customer."

and costs between \$400 and \$800 per hole, depending on the number of participants, the length of the hole, and the exact cost of the prize.

National Hole-In-One spokeswoman Penny Knight adds that a more typical insurance rate would be \$240 for 100 players, a 155-yard hole and a \$10,000 prize. And, yes, players do sometimes win the prize. According to Knight, it happens once in every 50 tournaments. It did happen for a retired doctor in one of Viti Brothers' tournaments, and Lema reports the dealership got "great press coverage" because of it.

The "hole-in-one" promotion for car dealers was originated a decade ago by Dennis Chase, owner of Sports Achievements Association, Garden Grove, CA, who has since extended his

insurance programs to include a wide variety of car giveaways, including tagged and record fish, perfect trap shoots, 300-point bowling games and even marathon records set on video machines. Odds, and therefore insurance costs, are determined by several factors, but "hole-in-one promotions tend to run around 2.5 to 3 percent of the prize value and tagged fish around 5 to 6 percent," Chase points out. "But we can insure just about any promotion the dealer wants."

Even NADA got in the dealer promotion act this year with the publication of "Automotive Milestones," a paperback book of 300 trivia questions about the legacy of the automobile. The book is NADA's way of celebrating the centennial of the automobile, and it is also

a terrific giveaway for new-car and service customers, other business people in your community, or your employees for a job well done. The book costs from \$4.95 to \$2.50 each, depending on the quantity ordered. To order, call or write: The Resource Link, 2906 East Ponce DeLeon, Decatur, GA 30030; (800) 241-7785; in Georgia, (404) 299-3627.

Certainly, there is plenty of outside help for dealers who want to promote their products and businesses and build better customer relationships. And that's the name of the game, isn't it? ■

Ted Orme is contributing features writer of Automotive Executive.

GOLF TOURNAMENT DIRECTORS



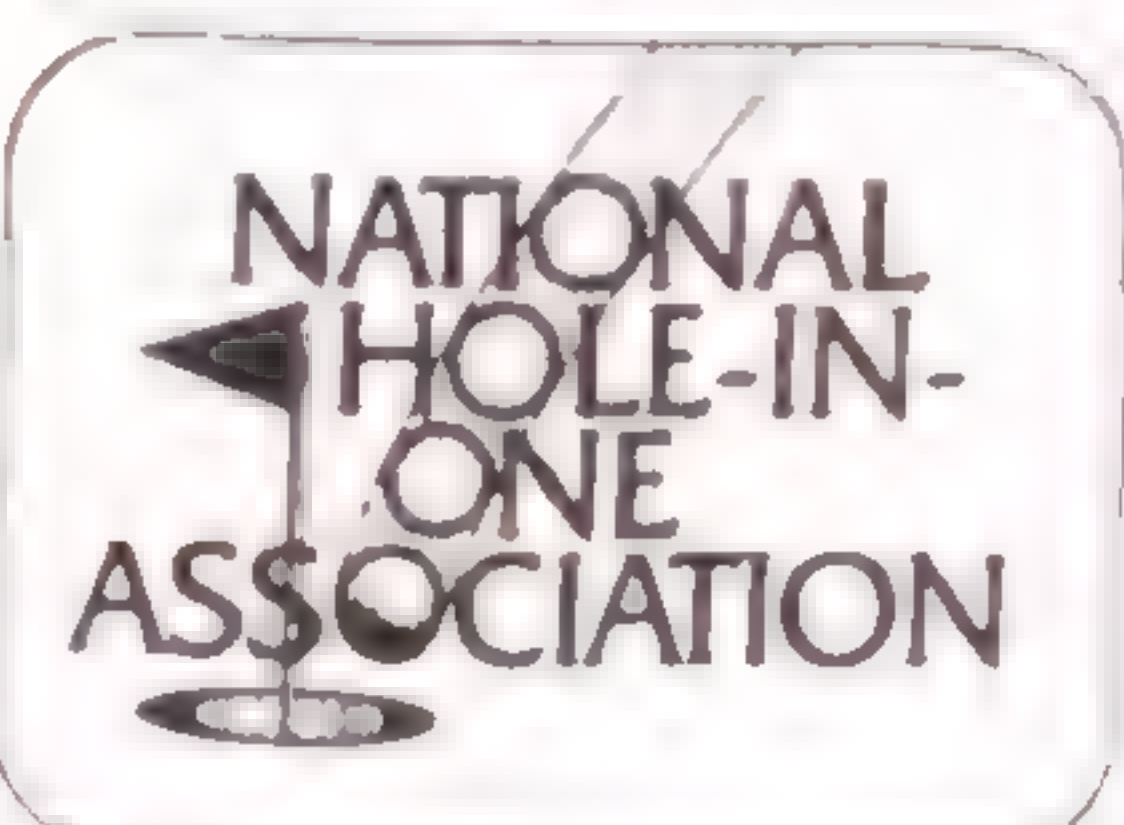
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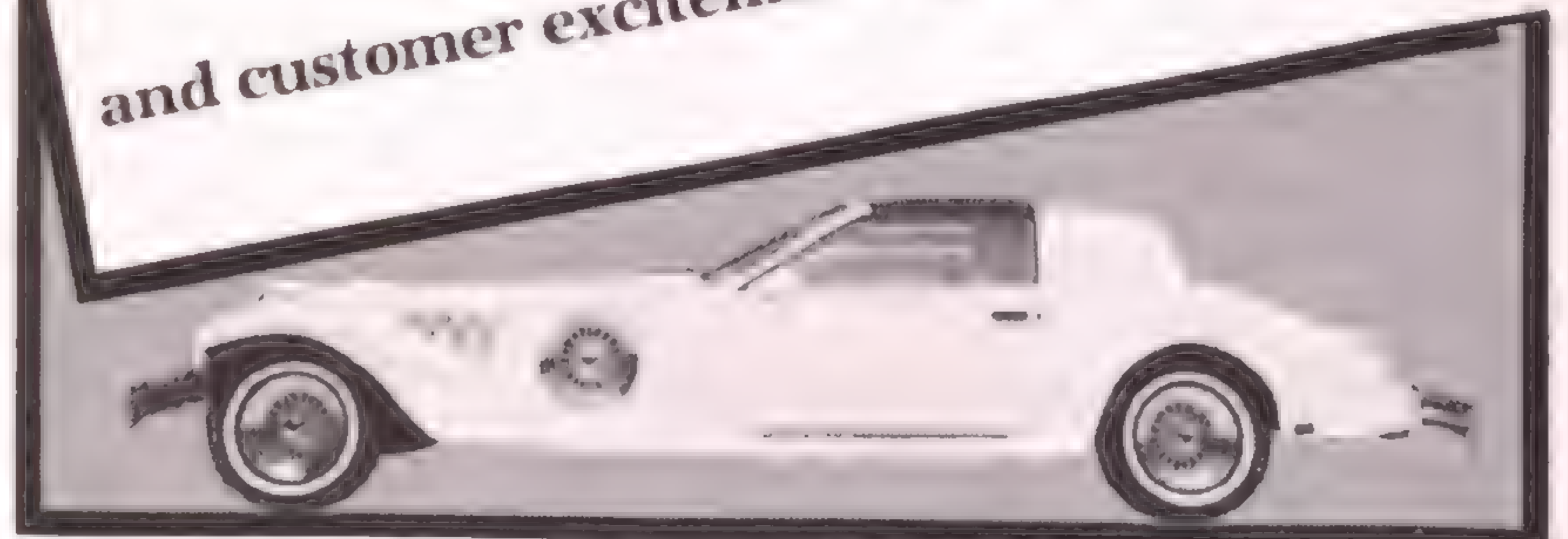
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Circle #32 on Reader Service Card

Circle #21 on Reader Service Card

The Roller Coaster Ride of Finance Incentives

By Gerry Donohue

Manufacturer incentive programs are threatening to give the auto industry a severe case of whiplash.

Rarely have domestic auto sales figures experienced the out-of-control, roller coaster ride of recent months. Ever since last spring, domestic manufacturers' fortunes have risen and fallen on incentives. Sales soar under the programs, stagnate without them.

A case in point. In mid-December last year, the *Wall Street Journal* ran this headline: "Mid-December U.S. Car Sales Slumped 16 Percent." Less than two weeks later, however, after manufacturers had initiated another round of interest rate incentives, the paper's headline read "Late December Auto Sales Rose Estimated 28.4 Percent."

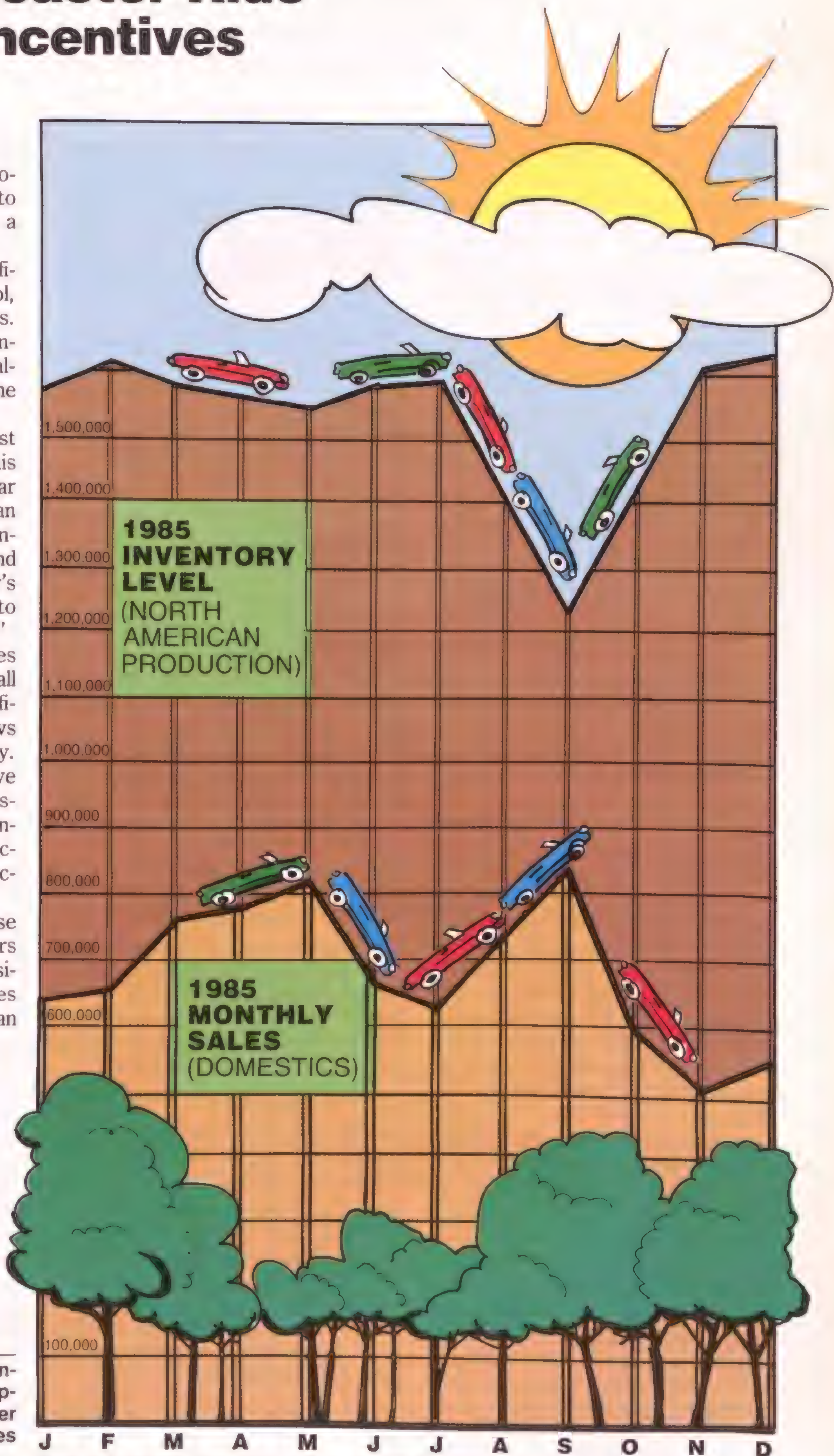
This type of market, in which sales fluctuate wildly, has repercussions at all levels. Incentive programs create artificial markets, in which nobody knows the real demand or why people buy. Nevertheless, the programs have proved successful in increasing domestic manufacturers' sales, and will continue even though historically each successive program has become less effective at bringing in new sales.

"These boom/bust fluctuations cause problems for dealers and manufacturers alike," says James Vorhes, vice president of General Motors Customer Sales and Service. "But they're better than bust/bust cycles."

"These on-again, off-again incentive programs make it more difficult to order and sell vehicles in a calm atmosphere," responds NADA Industry Relations Committee Chairman Herb Adcox. He adds that NADA is urging the manufacturers to seek substantive dealer input before launching these programs.

"They need that input to explain that incentive programs are often too limited or on the wrong cars."

Incentives' dramatic effects—Inventories plummeted during the September programs. May and September incentives marked peaks for the sales roller coaster; November sank.



Source: NADA Research Division; Motor Vehicle Manufacturers Association

"You can't plan anything. You don't know what the manufacturers are going to do—and they don't either."

Incentives and Paybacks

Last year opened with AMC's interest rate incentive program in February. Chrysler and Ford followed, joined by GM in late March. The majors' programs were scheduled to expire April 30, but come May, new programs were instituted.

After these programs ran out, however, sales fell off and remained stagnant through the summer. The car haulers' strike exacerbated dealers' sales problems and manufacturers were stuck with full 1985-model inventories as 1986 model introductions approached.

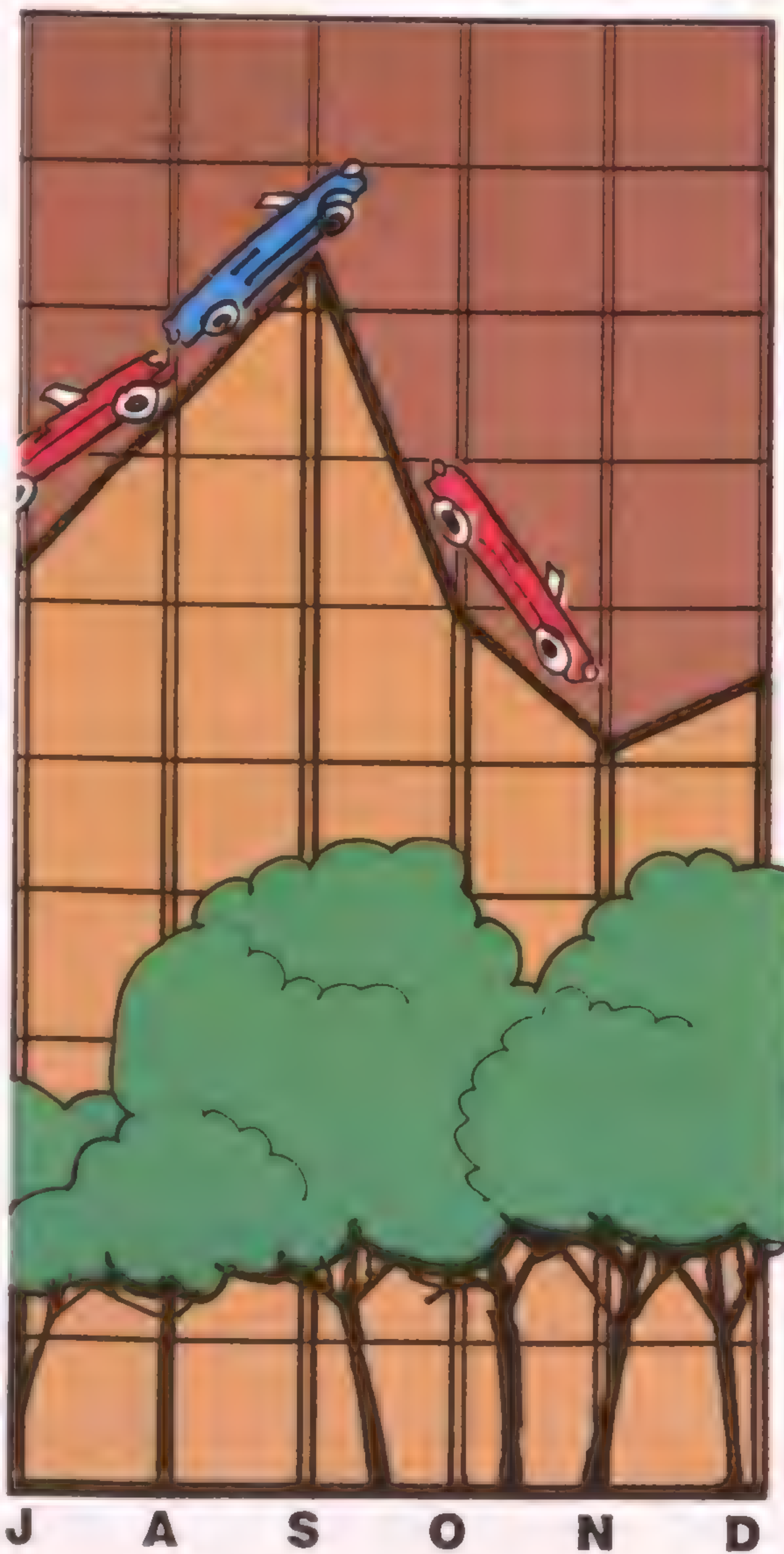
Domestic manufacturers made their move in the last days of August. First GM, then Ford, Chrysler and AMC announced comprehensive cut-rate financing programs. GM and Ford offered 7.7-percent financing; AMC and Chrysler came in with 7.5-percent. To help finance the programs, participating dealers sacrificed a portion of their finance reserves, and for the first time, many GM and Ford dealers gave up half of their carryover allowance.

Sales soared, jumping 71 percent over the previous year in the final 10 days of August. During that period, cars sold at a record Seasonally Adjusted Annual Rate (SAAR) of 13.5 million. Sales continued brisk throughout the programs, which ended in early October.

The incentives that caused the sales surge also caused a slump. In the programs' final 10 days, sales were still 59 percent higher than the year before. In the next 10-day period, however, sales fell 10 percent from 1984, then plummeted 26 percent in the next period.

By their nature, sales incentives pull ahead customers, convincing them to buy earlier than planned. The NADA Industry Analysis division calculates that though the programs increased sales by about 58 percent, more than 45 percent of that increase was pulled ahead, leaving a market vacuum.

Further complicating that situation was the launch of the 1986 model year immediately after the programs were



lifted. Many new cars carried hefty price increases. This, coupled with the removal of financing discounts, suddenly made buying a car not such a good idea. And the market reflected this. In each of the remaining eight 10-day periods in 1985, sales figures trailed 1984; for the final three months, sales were down more than 14 percent.

The manufacturers didn't watch these developments idly. In late November, Chrysler launched an 8.6-percent program on a broad range of cars. Ford and GM followed with limited programs. When the market remained lukewarm, GM, and then Ford, reacted strongly, with 7.9-percent financing on about 40 percent of their models.

Once again, buyers responded. GM's Vorhes estimates that under the program, sales increased about 25 percent over the prior 40 days.

This round of incentives ended on

Feb. 22. On Feb. 24, GM announced an open-ended 9.9-percent program on 80 percent of its lines and Chrysler extended its 7.5-percent financing program, but only on two models. (At press time, Ford had not announced any new program.)

Responding to the Competition

"There are two reasons for incentive programs," says Ross Roberts, general marketing manager of the Ford Division. "A reaction to the competition or a correction of a market abnormality."

Both those conditions exist today. The market is more competitive than ever. Foreign competition continues to gobble up more of the market, and several new import manufacturers are entering the market in the coming months. The domestic manufacturers are fighting for any edge they can gain in this competitive arena, but they continue to lose share. So, when their cars don't sell themselves, domestic manufacturers rely more heavily on marketing.

"GM wants to make back the two points of market share it lost last year," says NADA President James Woulfe. "They can't get it out of the imports, so they're going for the domestics."

"This is the world's most competitive business and it's getting more so," responds GM's Vorhes. "We'll do whatever it takes."

Being competitive means taking advantage of any edges, and GM has a significant one in its General Motors Acceptance Corp. Using its strength to the fullest, GM can discount interest rates with little financial hardship. The other domestics have smaller captive finance companies and so far have been able to keep up with GM—and keep their cars moving.

"Incentive programs are not the way we would choose to market our cars," says Ford's Roberts. "We don't plan on implementing any ourselves, but we will respond to the competition."

This isn't the first time that the manufacturers have been faced with having to move cars. But the market has

changed. In the past, automakers usually shut down production lines until the market brought supply in line with demand. That alternative is no longer as attractive. Shutting down production has become much more expensive. Manufacturers face heavy unemployment compensation costs, and shutting down disrupts their close relationship with "just-in-time" suppliers.

Soft incentives offered to dealers are still a prime market motivator for the imports, but they are not powerful enough to move the number of cars that domestic manufacturers need to move.

"The domestics have backed themselves into a box," says Jack Woltz, president of Woltz and Wind Ford in Pittsburgh, PA. "They have to keep offering incentives. They cost them a lot of money but they move product."

Along for the Ride

"The incentive programs are clearly tactical thinking," says Vorhes. "If they were strategic, I would know what we were going to do in July and August—and I don't."

This tactical—or short-term—thinking has had its effects on the market. Responding to today's problems without regard for tomorrow can cause some unexpected results. The manufacturers have been in the market long enough to know what happens with temporary sales incentives, but the market has never been quite like this before.

In August, cars were selling at an SAAR of 13.5 million; in October, the rate fell to 6.3 million. One day, with no incentives, the market is in a torpor; the next, with incentives on, it's difficult to prep cars fast enough.

With such day-to-day, week-to-week and month-to-month fluctuations, it becomes almost impossible to plan in the dealership. Dealers never know what manufacturers are planning next.

"You often don't know about the program until you read about it in the paper or a customer calls up wanting information," says Jim Coleman, president of Jim Coleman Cadillac in

Reduced Incentive Effectiveness

A recent study by NADA's Industry Analysis division shows that reduced-rate financing incentive programs are becoming less effective in stimulating demand.

To reach this conclusion, NADA determined that the sales increase due to the August/September incentive program was approximately 58 percent. Using this figure, NADA calculated the elasticity of demand during the program—i.e. how much of the sales increase was due to the reduced price on the car. The elasticity was 6.3.

Comparing this elasticity with those from previous programs,

NADA found a steady decline.

In 1981, GM offered customer rebates in March and a reduced-rate financing program in August and September. NADA analyses at that time determined an elasticity of 13.4 for the first round and 10.7 for the second round.

Applying elasticity estimates to the incentive programs in January indicated that domestic sales should have averaged more than 10 million units (SAAR). During the first two selling periods, however, the SAAR was 8.2 million and 9.3 million, implying that incentives' influence continues to wane. ■

Bethesda, MD. "And you never know which cars are going to be featured. You may be high in one car and totally miss the program if it's on another."

"You can't plan anything," concurs Jim Woulfe. "You don't know what the manufacturers are going to do—and they don't either. You wait in limbo until they make up their minds."

Woulfe adds that when the manufacturers do act, they often put the incentives on slower moving cars, for which the dealers try to keep low inventories. It can start a guessing game of dealers trying to figure out which cars will be featured and then ordering them, even if they aren't usually strong sellers.

"If we knew they were going to come up with a program a couple of months down the line, I would hot-order cars now," says Jack Woltz. "As it is, they put it on with no warning and we sell the cars and run short. Right now we're out of Escorts."

Worse than running out of a model line, says Maryann Keller, auto analyst with Vilas Fischer Associates, is losing sight of the market.

"Nobody gets a real picture of what

the real market demand is," she says. "The dealer can't determine the falloff when the incentives go off. They rob him of the ability to plan in the normal market."

Incentives also affect other dealership departments. Advertising becomes much more difficult. At his dealership, James Coleman usually has a two-month advertising schedule, but incentive programs can quickly disrupt planning.

Ross Roberts downplays the interruption of the advertising schedule, saying that reputable advertising companies modify schedules when necessary. He adds that Ford's own advertising schedules are also disrupted.

"Ford also helps dealers carry the load on advertising incentives," he adds.

Where incentives may take their biggest toll is in the used-car department. With financing incentives, it is much more attractive for consumers to buy an inexpensive new car than a used car, which carry double-digit interest rates.

"Used cars are getting clobbered," says Woulfe. "New cars have warran-

"These boom/bust fluctuations cause problems for dealers and manufacturers. But they're better than bust/bust cycles."

INCENTIVES

ties and the payments are lower. There's no way you can move used cars in this market."

Incentives also have a potent effect on the F&I department. In many cases, the manufacturers have taken away part or all of the dealer reserve on factory financing to help cover the cost of the programs. Dealer F&I income has fallen accordingly.

So dealers are caught in a quandry. The incentives wreak havoc on planning and departmental income, but they bring in customers. Most dealers look upon them with mixed feelings.

"There are a lot of hassles, but we're glad for the business we get," says Coleman. "We need the sales boost.

"But, I would like to see either a permanent program or an end to this off-and-on situation. It creates too much turmoil."

And Jack Woltz doesn't necessarily believe that that turmoil boosts sales.

"I don't think we sell any more cars," he says. "We just sell them in spurts. I would like to see us go back to the days of doing business straight-ahead."

"We've got to live with them," Jim Woulfe adds. "They seem to work. And if we just got rid of them across the board, we would have a hell of a time moving the merchandise."

Diminished Brand Loyalty

Incentive programs, however, may actually be making it harder to move the merchandise. Woulfe compares the current market situation to that of a supermarket, where buyers wait for tuna fish to go on sale before buying.

"Customers are definitely waiting for new incentive programs," he says.

GM's Vorhes asserts, however, that the waiting is due more to a trend throughout the economy toward discount merchandising.

"The automakers didn't create discounting, but we are contributing to it," he says. "This arena was very ready for the putting up of the factory sale sign. The customers are more savvy and value-conscious. They expect it.

"There have always been reasons to wait for sales," he adds, "such as George Washington's Birthday sales."

But Washington's Birthday kicks off the spring buying season; incentives are becoming their own buying season.

"It's more difficult for domestic manufacturers to sell without something going on," says analyst Keller.

She points out a further problem that incentives have caused—redirecting the emphasis in the sale from the car to the marketing. Just like the tuna fish buyer in the supermarket, the auto customer buys whichever model is on sale.

"Conceivably, brand name loyalty will diminish," she says. "They're taking away from the product. Customer attention focuses on the deal of the month. Now they only sell a commodity. In the long run that's dangerous."

Another danger is the growing reliance on these incentive programs. They work now, but evidence shows they are less effective each successive time. As the domestic manufacturers return to the well, they will need to do more and more to get results.

"Incentives are no longer a special event," says Keller. "They've already happened three times in 12 months."

Keller says that in the August/September incentives program, cars were selling at about 13 million SAAR; in the January/February program, the rate had fallen to 9 million.

GM's Vorhes continues to believe in interest rate incentives, but he says GM is not wedded to the idea.

Special Note

As we went to press, GM announced its new 9.9-percent interest rate incentive program. Although the program requires some dealer contribution, it allows dealers to earn more finance income than under the 7.9-percent program. Dealer input was clearly responsible for GM's return to paying finance reserve.

"Interest rate supports have great credibility," he says. "They give the biggest bang for the buck. But they won't last forever."

Optimism Abounds

Something will replace them, but probably not in 1986. The domestic manufacturers seem ready to continue finance incentives throughout the year. And they may have to, because they are running heavy production schedules.

"We're upping our estimate for 1986 to over 15 million," says Vorhes. "We expect the third best year ever. As such, we can't have any weak periods."

At Ford, Ross Roberts says the company has been "building every car and truck we can and we're going to continue through the year." Even so, Roberts says inventory is still too low.

"Our dealers sold all their cars in the 7.7 program," he says. "We have yet to recover from those sales."

Roberts says Ford is optimistic about 1986 sales: 10.6 million cars and 4.6 million trucks.

"As long as they persist in these optimistic predictions, they will be in this predicament (of having to offer incentives)," Keller retorts. "There are too many cars and they are building too many more. They're crazy."

Keller asserts that even if 1986 is as good as 1985, the domestics should be cutting back production.

"Competition is too keen," she says. "There is increased Japanese production in the U.S. and 250,000 more imports coming from Japan."

If the domestic manufacturers can't cut into the import share—and they have yet to show they can—they will be fighting among themselves for an ever-shrinking market share. And they will be burdened with a huge inventory.

"I think we're going to see a lot of incentives in 1986," concludes Ford's Roberts. ■

Gerry Donohue is assistant editor of Automotive Executive.

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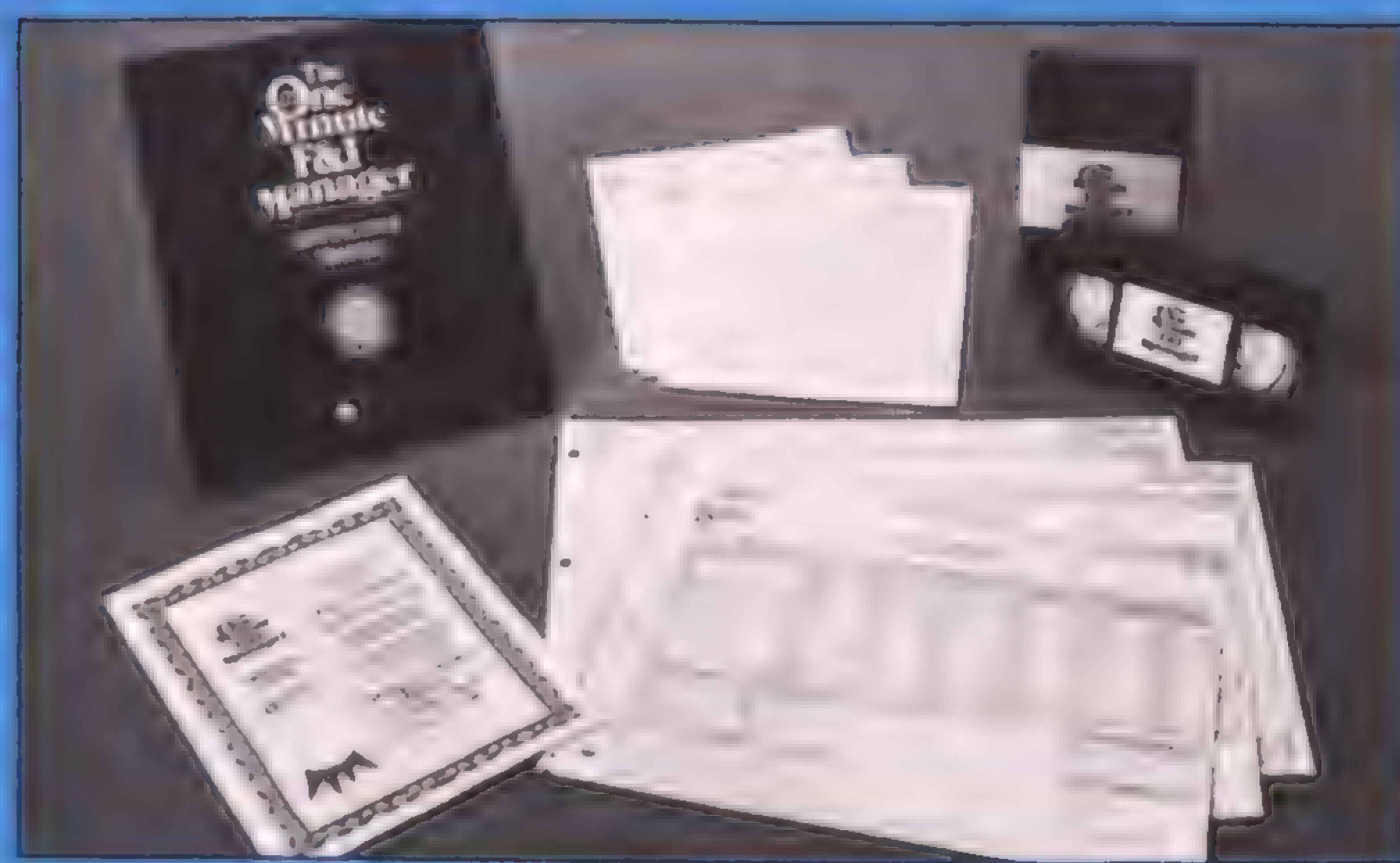
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(314) 725-2525

Melvin F. Brown, president
P. Frank Limbaugh, senior vice president

ITT Commercial Finance Corp. is the second largest independent company in the specialized field of inventory financing. Its primary business is collateral-based financing (floorplanning), particularly for import dealers. **Circle #67.**

Lyons Capital Resources Inc.

500 Park Blvd.
Itasca, IL 60143
(312) 773-1925
(800) 553-7340

Mike Donohoo, vice president/general manager

Lyons Capital Resources is a national commercial finance company. The transportation division offers to a select dealer network lease and retail finance programs as well as floorplanning for both new and used automobiles. Other areas of business include investment banking and the development of lease and finance packages for commercial real estate and capital equipment. **Circle #68.**

Mechanical Insurance Associates Inc.

P.O. Box 9191
Van Nuys, CA 91409
(818) 906-3588
(800) CALL-MIA

Alfred P. Kues, president
Sara O. Kues, vice president
John Lercel, director of sales

MIA has used its 29 years in business and two insurance carriers to accommodate the varying wants and needs of the automobile industry. MIA has one program for dealers who want maximum cash flow and another for those who wish to defer income and taxation. MIA has tailored its coverages to provide everything from "drivetrain only" to complete bumper-to-bumper comprehensive coverage. **Circle #69.**

Nissan Motor Acceptance Corp.

18701 S. Figueroa St.
Carson, CA 90248
(213) 532-3111

Kanemitsu Anraku, president
A.E. Steinhaus, executive vice president and CEO

20 branches across the country

Retail, wholesale and lease financing of Nissan motor vehicles. **Circle #70.**

Oakleaf Corp.

19737 Nordhoff Place
Chatsworth, CA 91311
(818) 993-1223
(800) 423-3681

Anders B. Eklov, president
Joel Nagelmann, vice president, marketing

Locations in all major U.S. cities

Oakleaf is a complete, single source vendor for in-house micro-computer systems: hardware, software, training and support services. Oakleaf provides the latest advances in automotive accounting, payroll, dealer-to-manufacturer communications, parts inventory control, parts invoicing, service dispatching/history/follow-up/merchandising, and a comprehensive front-end system. **Circle #22.**

Pacific Standard Life Insurance Co.

P.O. Box 1796
Sacramento, CA 95808
(916) 756-3030
(800) 824-5082

Clifford N. Gamble Jr., president
Eugene F. Cronin Jr., CPCU, senior vice president, marketing
James Chapman, vice president, credit marketing

Salt Lake City, UT (801) 278-7240
Forest Lake, MN (612) 464-7757
Nampa, ID (208) 467-1127
Scottsdale, AZ (602) 953-9442
Seattle, WA (206) 644-8498
Los Angeles, CA (714) 768-5724

Circle #71.

Ryan Insurance

222 N. Dearborn St.
Chicago, IL 60601
(312) 269-4000

Joseph Wilson, president
David Cole, divisional vice president
Joseph Coomes, divisional vice president
Lenny Schmidt, divisional vice president
Ed Johnson, divisional vice president

14 branches around the country

Serving auto dealers exclusively: credit life/accident and health, mechanical repair, self-insured program, reinsurance, dealer insurance company management, F&I training, account development specialists, F&I recruiting. **Circle #72.**

There
Are
Two Words
That Can
Raise
Your C.S.I.

Follow-up...

Satisfied Customers Will Raise Your C.S.I.

To raise your C.S.I. you must turn dissatisfied customers into satisfied customers. And, with The Gift Connection's post-sale marketing program, that's exactly what you'll do.

Satisfied customers not only raise your C.S.I., they also create positive word-of-mouth advertising and generate referrals. That means more sales and more profits for your dealership.

The Gift Connection has been called "The most effective follow-up program in the automotive industry." In many cases, we have raised dealership C.S.I. from 20% to 30% and, we can do that for you.

Put a Canned Salesman to Work For You

For each car you sell, The Gift Connection hand delivers, via U.P.S., a thank-you gift to your customer — a tin of Imported Danish Butter Cookies.

Enclosed with this quality gift are two custom printed French Linen cards; a thank-you card, imprinted with your logo, and a response/referral card, stamped and addressed back to your dealership. This response card asks your customer for comments, feedback and, most importantly, referrals of friends and business associates.

Four months after the sale (just prior to the manufacturer's C.S.I. report) we send your customer another response/referral card. This card, also stamped and addressed back to you, asks your customer for comments and suggestions about your service department, as well as additional referrals.

A Sweet (tax deductible) Deal

This entire program is only \$10 per customer. There are no other charges or commitments. And, it's 100% tax deductible.

Free Sales Training Tapes

When you enroll with The Gift Connection, we provide your staff with sales training tapes devoted exclusively to follow-up techniques: How to ensure customer satisfaction, guarantee repeat business, secure referrals and much more.

Service Department Sales Lead System

We have created a unique system designed to generate new car sales from your service customers. This program, tested by leading dealers throughout the country, could reduce your cost of sale by as much as 25%. The Gift Connection provides this system to all our clients absolutely free.

The
4-month
Service Dept.
Response
Card

We appreciate your confidence in us.

To enable us to continue providing the quality service you desire, would you kindly take a moment to complete and mail this card? Your assistance is greatly appreciated.

YOUR NAME

ADDRESS

CITY

STATE

PHONE

DATE

Thank you again for purchasing your automobile from us

• Have you been treated courteously by everyone?

Yes No

Can you offer any suggestions to help us improve our service to you?

Do you have any friends or business associates who might benefit from the products and services we offer?

NAME

ADDRESS

Thank You

Thank you for the opportunity to be of service. We hope everything has been to your satisfaction. It is our desire to continue to provide you with the finest in quality and service. Please do not hesitate to call upon us if we be of further assistance.

VALLEY MOTORS



Thank You

VALLEY MOTORS
222 Main Street
Anytown USA 90

The
Immediate
Response
Referral Card
Stamped and
addressed
back to you.

We appreciate your confidence in us.
To enable us to continue providing the quality service you desire, would you kindly take a moment to complete and mail this card? Your assistance is greatly appreciated.

YOUR NAME

ADDRESS

CITY

STATE

PHONE

DATE

Thank you again for your purchase!

- Were you treated courteously by everyone at our company?
- Was your automobile delivered to you in excellent condition?
- Was your order handled promptly and completely?
- How did you hear about us? Radio, TV, Yellow Pages, Newspaper, etc.

Can you offer any suggestions to help us improve our service to you?

Could you recommend any friends or business associates who might benefit from the products and services we offer?

The
Response Card
is stamped
and addressed
back to you.

The
Three-Month
Service Dept.
Response Card

The Gift Connection Challenge

Even if you currently use a follow-up program, you owe it to yourself, and to your dealership, to put The Gift Connection to the test. If you don't, you'll probably lose profits — and that's the way the cookie crumbles.

offer any suggestions to help
improve our service to you?

How many people anticipated
the purchase of a new or used car
in the near future?

NAME
ADDRESS
CITY



Signature line



Here's what automotive dealers say about The Gift Connection...

"Since signing with The Gift Connection, we have received a steady flow of positive responses, along with a high percentage of referrals. And our sales staff is doing a better job at follow-ups, due to the positive responses they receive."

David Dow, Holiday Buick Oldsmobile
Lancaster, CA

"Thanks to The Gift Connection our C.S.I. sales points have gone from 70 to 90. It's the best program we've ever used."

Carl Ditzel, Lion Chevrolet
Baldwin, NY

"The Gift Connection has increased our C.S.I. Report Points by 20% to 25%...your program offers us the opportunity to make a "friend" rather than just a customer, which opens the door for referrals."

Jim Kvasager, Modern Chrysler, AMC, Jeep
Grand Forks, ND

"I've been in the automotive business all my life and The Gift Connection is the best investment I've ever made... Your program works!"

Michael J. Berrang, Mike Berrang Pontiac
Easton, MD

Extensive Market Research

We are not a premium house offering jellybeans or carmel corn. We are a marketing company. We have found, after testing hundreds of items, that the Royal Dansk Imported Danish Butter Cookies (a high recognition quality product) has generated the greatest response. As your customer shares this gift with friends and business associates, your dealership's name and goodwill are spread throughout. In addition, most people save the tin, providing a constant reminder of your dealership.

Simple Procedures/Same Day Shipment

We provide you with blank address labels. Simply fill them out and send them to us once a week and we'll do the rest. We guarantee to ship your orders the same day we receive your labels. All orders are hand delivered to your customer's home or office by United Parcel Service.

No Contracts/No Obligations/No Fees

It costs nothing to enroll with The Gift Connection and there are no contracts or obligations. Hundreds of automotive dealers throughout the country use our program for one reason only — it works! If you are not completely satisfied, you may discontinue at any time.

Confidential Client Lists

All customer names are your property. The Gift Connection provides a written guarantee that we will not sell, barter, trade or permit the use of your customer names in any way.

Beware of Imitators

Don't be fooled by other companies offering similar programs. Take the time to compare. Look at the quality of materials (French Linen cards), the support (sales training tapes) and the method of follow-up (4 month cards and a Service Department Sales Lead System). Then, go with the leader...The Gift Connection.

Free Samples

Call us today to receive sample cards and a free tin of cookies so you can "taste" our program. However, we never send milk!

Call Toll Free: 1-800-448-4438

more
We mean ^A business

THE GIFT CONNECTION

15445 Ventura Blvd., Suite 1010, Sherman Oaks, CA 91403-3077, 818/990-3172



For more information, circle 99 on express card.

F&I Buyer's Guide

Subaru Financial Services Inc.

7040 Central Highway
Pennsauken, NJ 08109
(609) 488-8770

Gilbert N. Zitin, president

Kevin M. Baumann, director, sales and marketing

12 branches around the country

Subaru dealer wholesale and retail vehicle financing; vehicle leasing, open and closed end; Added Security®, extended service contracts for new and used Subaru vehicles; Continued Service Protection, extended service contracts for other new and used vehicles, and Subaru Life, credit life and accident and health insurance. **Circle #73.**

Toyota Motor Credit Corp.

19001 S. Western Ave.
Torrance, CA 90509
(213) 618-4324

Y. Tugo, president

Y. Gieszl, senior vice president

R. Pitts, general manager

24 branches around the country

Provides wholesale and retail financial services to Toyota dealers in 30 states.

Circle #74.

Trilogy Dealer Services Inc.

7264 El Cajon Blvd. - Suite 113
San Diego, CA 92115
(619) 464-8693
(800) 521-2584
(800) 552-8851 (California only)

Trilogy, a nationwide company, can service all the automobile dealer's insurance needs. The company's one-stop service includes automobile mechanical breakdown service contracts, credit life and disability insurance, F&I personnel training, broad form automobile dealership insurance, workers' compensation insurance, group medical insurance, and paint, fabric and rust protection. **Circle #75.**

Universal Computer Systems

3724 Dacoma
Houston, TX 77092
(713) 688-7238
(800) 231-6347

Robert T. Brockman, president

12 branches across the country

The USC system is designed to perform all F&I functions, including payment rollbacks, sales aids and lease conversions. The system provides for form construction and maintenance by dealership personnel and offers virtually unlimited capacity for deal storage. **Circle #76.**

Universal Underwriters Group

5115 Oak
Kansas City, MO 64112
(816) 753-5800
(800) 821-7803

R.M. Jamieson, president

D.P. Bresnehan, senior vice president, marketing

24 branches across the country

Universal Underwriters Group offers a complete line of F&I products and services. The Life Insurance Co. offers a credit life and disability program, and the Service Corp. has a comprehensive vehicle service contract program. **Circle #30.**

VW Credit Inc.

901 Wilshire Drive
Troy, MI 48084
(313) 362-1960

95 branch offices across the country

Full-service automotive financing—wholesale, retail, lease and related insurance services for Volkswagen and Audi dealers. **Circle #77.**

Western Diversified Services Inc.

2215 Sanders Road
Northbrook, IL 60062
(312) 272-8300
(800) 323-5771

Lloyd E. Gearhart, president

A credit insurance company offering credit life and liability, extended warranty service contracts, F&I training and F&I computer systems. An authorized IBM dealer. **Circle #78.**

Wheelways Insurance Program Maguire Insurance Agency Inc.

259 E. Lancaster Ave.
Wynnewood, PA 19096-1993
(215) 642-8400

James J. Maguire, president

125 sales offices and 10 regional offices

Dealership insurance, leasing insurance, rent-a-car insurance, personal accident insurance, residual value insurance, guaranteed value/balloon note, payment guarantee program and rent-a-car financing. **Circle #79.**

NEED A NEW AD AGENCY?

Are you tired of the same old "what are we going to do this week?"

Here are 3 reasons why you should call me today.

First, the television and print campaign we'll show you is the most successful and creative campaign ever produced for local automobile dealers.

Second, the one thing that no other local, regional or national ad agency can give you is the Pletz Sales Programs, being used by hundreds of dealers like Tex Earnhardt, Chuck Swift, Albert DeFiore, Herb Abramson, Jack Barboza, Steve Smith. This is what gives us a huge competitive edge over your present or future ad agency and these proven programs will give you an unbeatable advantage over your competition.

Third, our unique media buying method will get you more coverage for less than you are paying now, proven and guaranteed to increase your traffic, sales, and profit.

If you believe the most important asset you have is that "up" walking onto your lot, and if you want more of them in 1986 and more importantly, if you want to sell more of them, we are the only people in the industry that can **prove it and guarantee it.**

To see our agency presentation, call me toll free today.

KEN PLETZ

1-800-824-7888, Extension M2534

Circle #25 on Reader Service Card

Dealer Attitudes

Opinion surveys provide the lifeblood of this industry—information. Manufacturers and dealers alike use them to track sales trends, changing demographics and customer satisfaction. Surveys provide critical insight into what does and doesn't work.

Later this month, NADA's fifth Dealer Attitude Survey will go out to 26,000 dealers nationwide. A tool of increasing long-range importance, this exclusive survey is part of NADA's new *Project 2000*, a program that will study the strengths (and areas to strengthen) in the new-car and truck franchise systems to assure a prosperous future.

NADA conducted its first survey in May 1984. Since then, surveys have gone out to dealers twice a year, in May and November. Surveys coincide with the spring selling season and annual model year launch.

The survey measures dealer attitudes toward 11 issues. Included are questions about franchise value, new-car and parts distribution, product quality and field relations. The questions center on fairness and communication in the dealer-factory relationship.

On these pages, for the first time, appear highlights from the most recent NADA Dealer Attitude Survey, conducted in November 1985. Each question features two charts: a line chart showing group trends for imports, domestics and trucks, and a bar chart showing relative rankings for 29 automakers. Findings are based on returns of more than 7,000 dealers.

"This survey acts like a 'satisfaction index' for dealers," says J. Ferron, NADA vice president. "It reveals that some manufacturers and dealers function better as a team than others. In effect, it documents strengths and weaknesses."

Ferron says the survey provides three types of information. "First, we get a firm data point rating individual manufacturers on each issue. Second, we get a ranking for each manufacturer relative to its competitors. And third, over time, we get valuable insight into

market trends. We can see how a particular relationship changes between a dealer body and a manufacturer."

The NADA Dealer Attitude Survey forms a key building block in *Project 2000*, announced by NADA President James Woulfe at the recent NADA Convention. Composed of a blue-ribbon panel of dealers from across the country, *Project 2000* will look at changes in the franchise system. Its goal is to develop programs of action that strengthen the car and truck franchise systems.

Project 2000 will scrutinize industry developments to determine "what they mean to retail dealerships in the long run," Woulfe says. "The Dealer Attitude Survey will play an important role in that process. The only way to ensure the survival of the franchise system is to work together with manufacturers in a true partnership to serve customers' needs. The survey will help us make each other better."

Herb Adcox, chairman of NADA's Industry Relations Committee, says the survey provides a useful new tool for both parties. "Dealer councils love it, because they no longer have to rely on hearsay from the field—they have documented proof. Problems become easier to identify and communicate."

"Manufacturers like the survey because it provides new information. Since dealers remain anonymous, they are more prone to give honest answers. Results are accurate and clear, unfettered by the many levels through which so much communication has to pass."

Gene Egan, vice president of sales for Subaru, backs up Adcox. "The survey gives us insights we didn't have before," he says. "We rate No. 2 in customer satisfaction in the Power survey, but aren't doing nearly so well in dealer attitude. We want to turn that around. We're working with our 13 distributors, sales and service staff and dealers to determine any weak spots. This survey keeps our lines of communication open."

—Gary James

Methodology

Perhaps the best endorsement of the NADA Dealer Attitude Survey's credibility comes from the manufacturers themselves. Many of them are further testing the findings and using them in discussions with NADA and dealer council leadership.

As data builds, so does that credibility. NADA has received an average of 7,000 responses in each of its four surveys, for a total of more than 28,000. That makes it "the biggest survey of its kind in the industry," says NADA Executive Vice President Frank McCarthy.

Dealers respond to questions on a scale of one to five—"strongly agree" to "strongly disagree." Responses are processed using the Statistical Package for the Social Sciences (SPSS) programming language. To determine a "mean rating," non-responses are eliminated and a numeric value assigned to each response. The mean of these values is then computed. Responses receive these values:

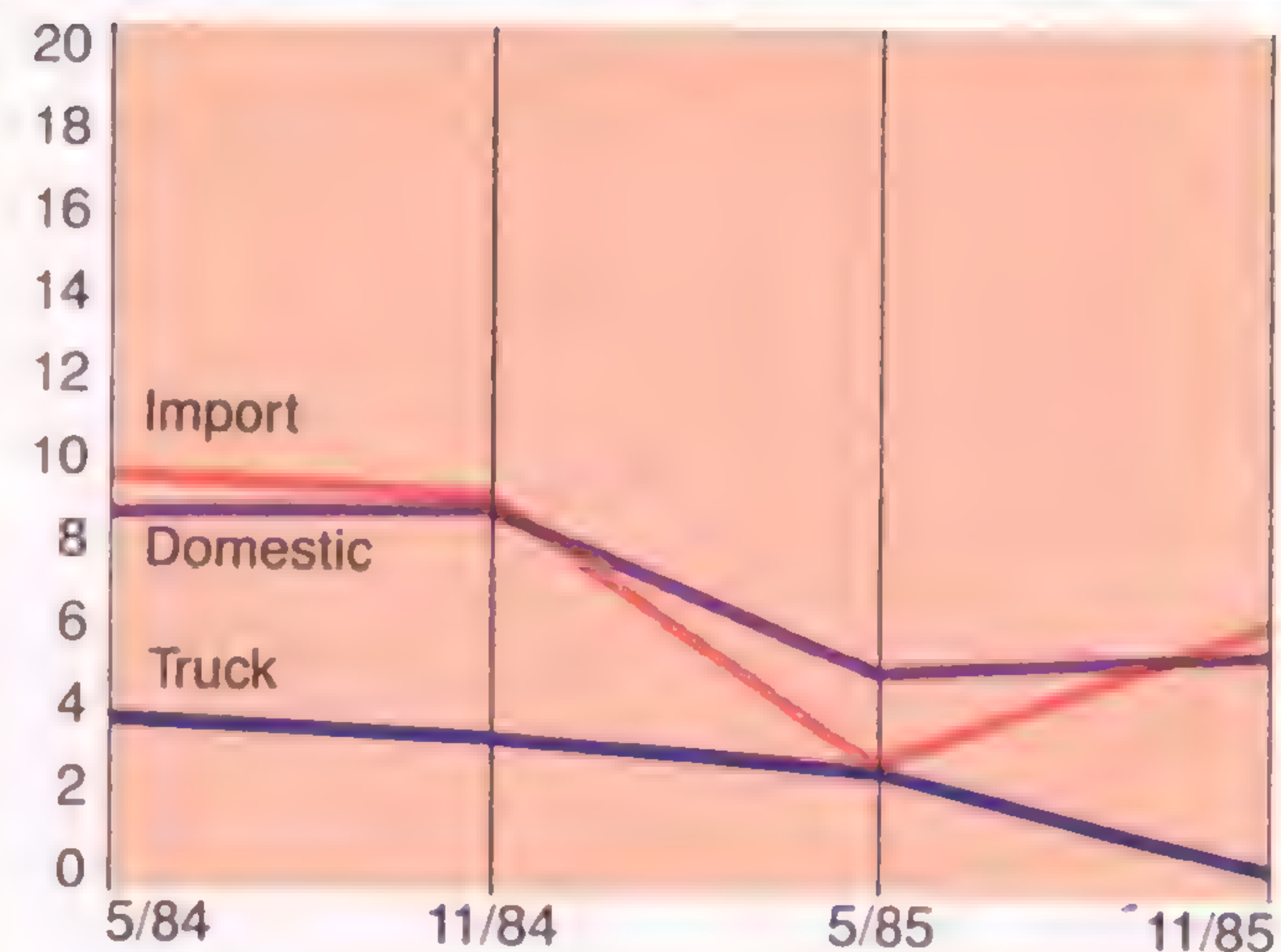
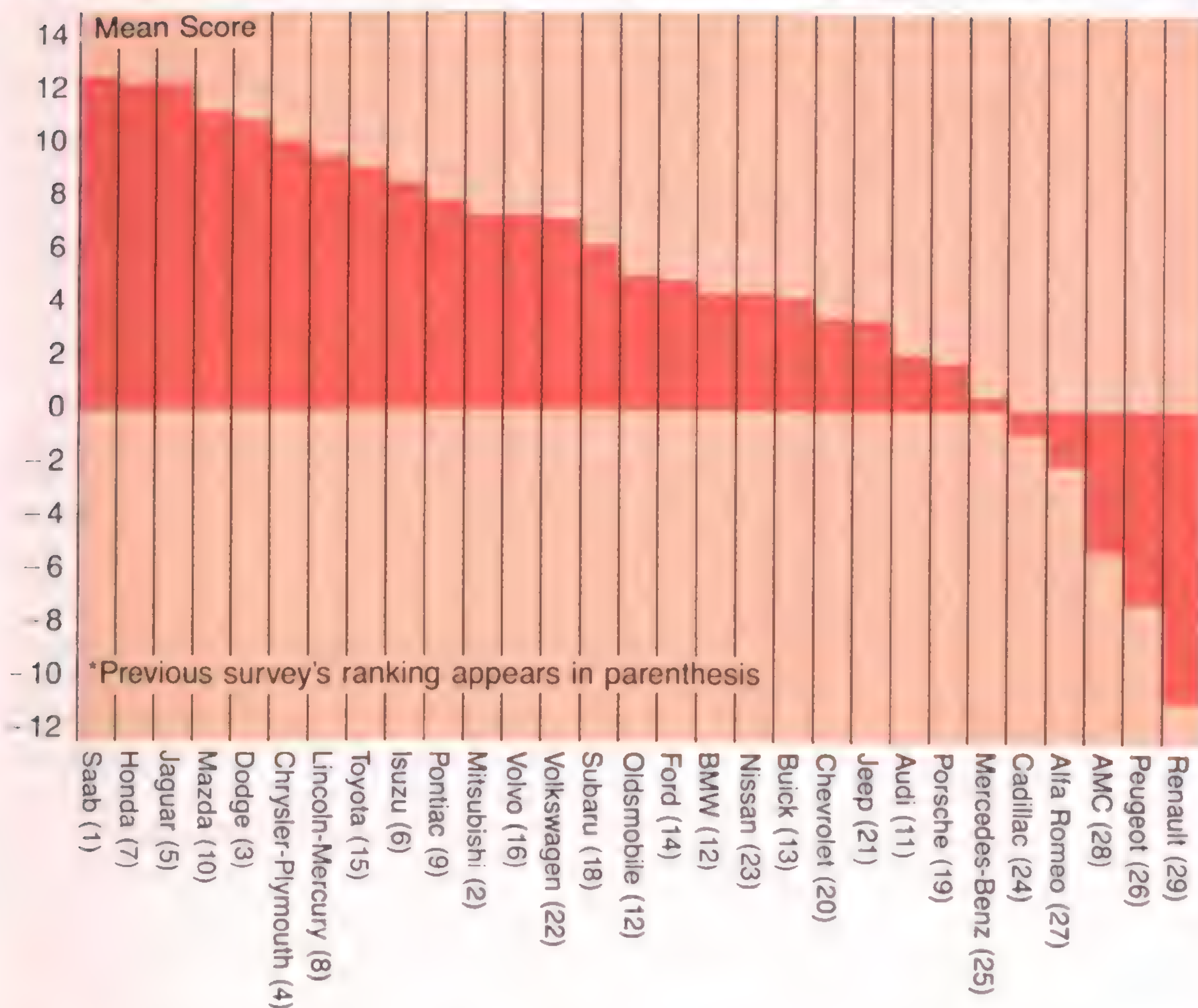
Possible response	Value
Strongly agree	20
Agree	10
Neutral	0
Disagree	-10
Strongly disagree	-20

The computation of a mean rating "allows for a quick and readily understandable interpretation of large quantities of data," says Tom Webb, director of NADA's Industry Analysis Division. "For more in-depth analysis, we run frequency distribution and cross tabulations. We also conduct 'significance tests' to track major changes."

The line charts below illustrate the performance of import automakers, domestic automakers and truck manufacturers over the last four surveys. Bar charts show the scores for individual manufacturers in the November 1985 survey. Positive scores indicate general agreement with a statement; negative ones show disagreement. For more information, contact NADA Industry Analysis, 8400 Westpark Drive, McLean, VA 22102.

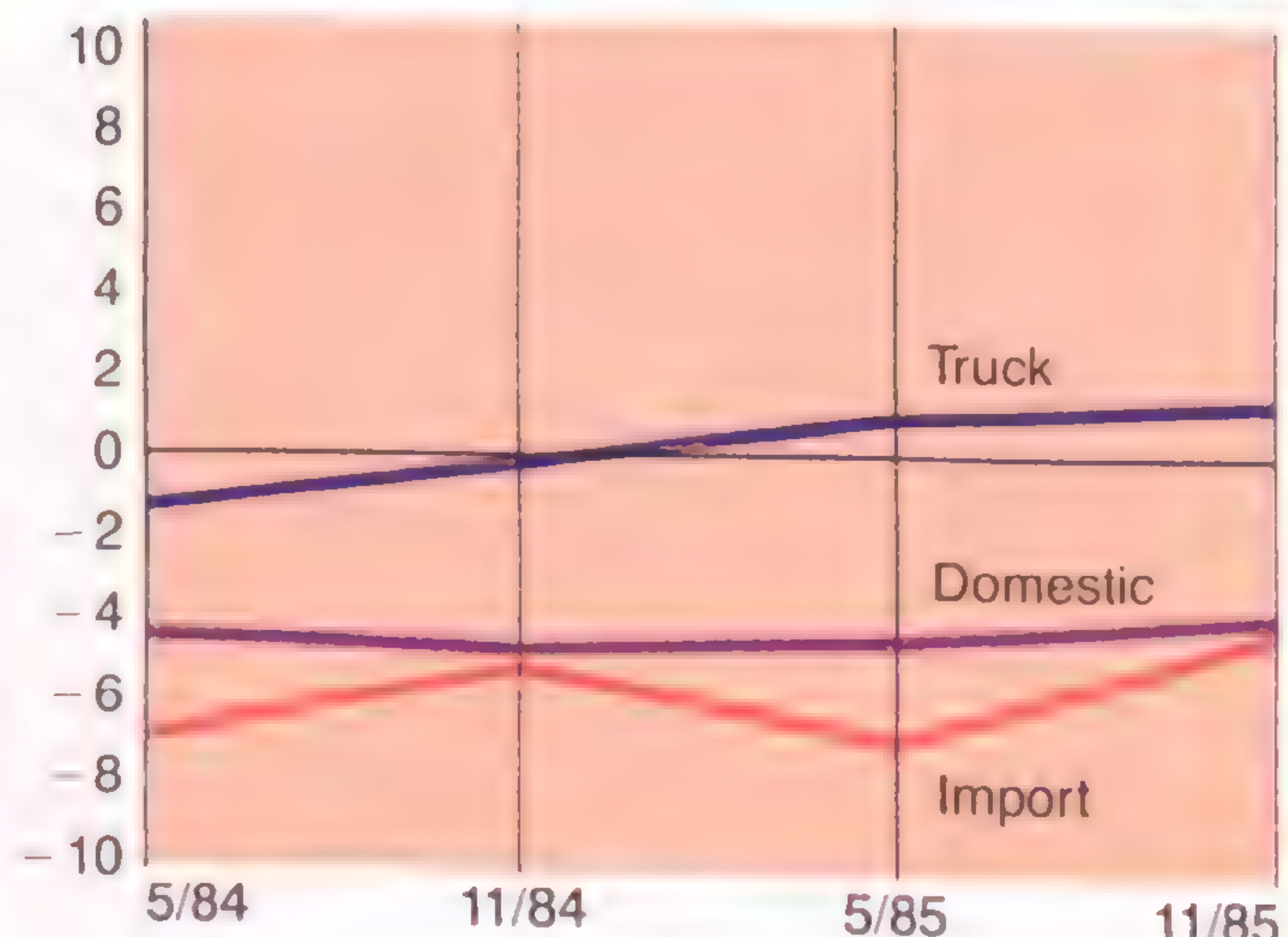
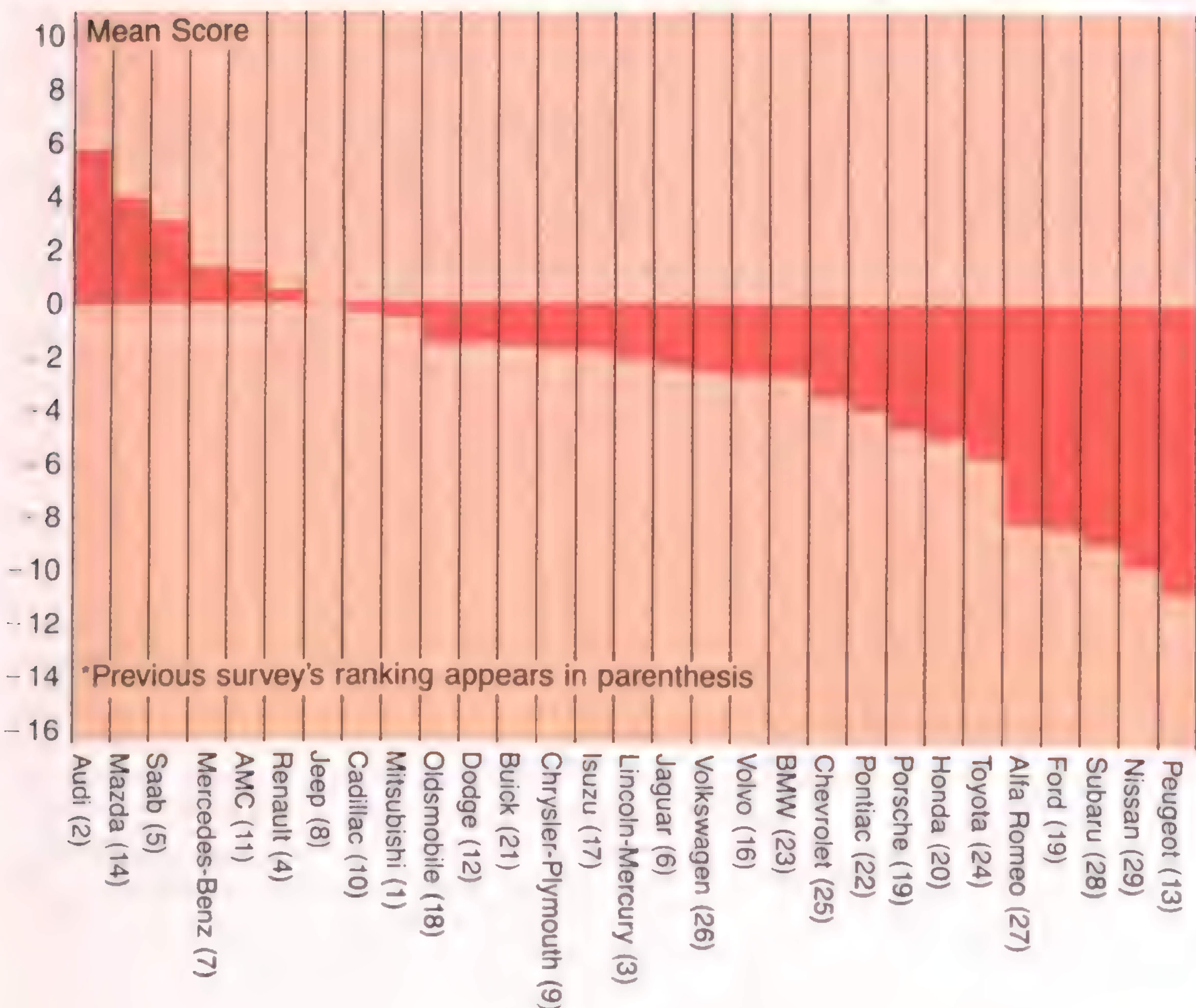
Possible response	Value
Strongly agree	20
Agree	10
Neutral	0
Disagree	-10
Strongly disagree	-20

VALUE OF FRANCHISE HAS INCREASED (Past 12 Months)



This question asks dealers whether the value of their franchise has increased during the past 12 months. Overall, the industry reflected much greater optimism in 1984 and uncertainty in 1985. Though most dealers still answered in the affirmative, all three franchise groups—domestics, imports and trucks—experienced declines in the two 1985 surveys compared to 1984.

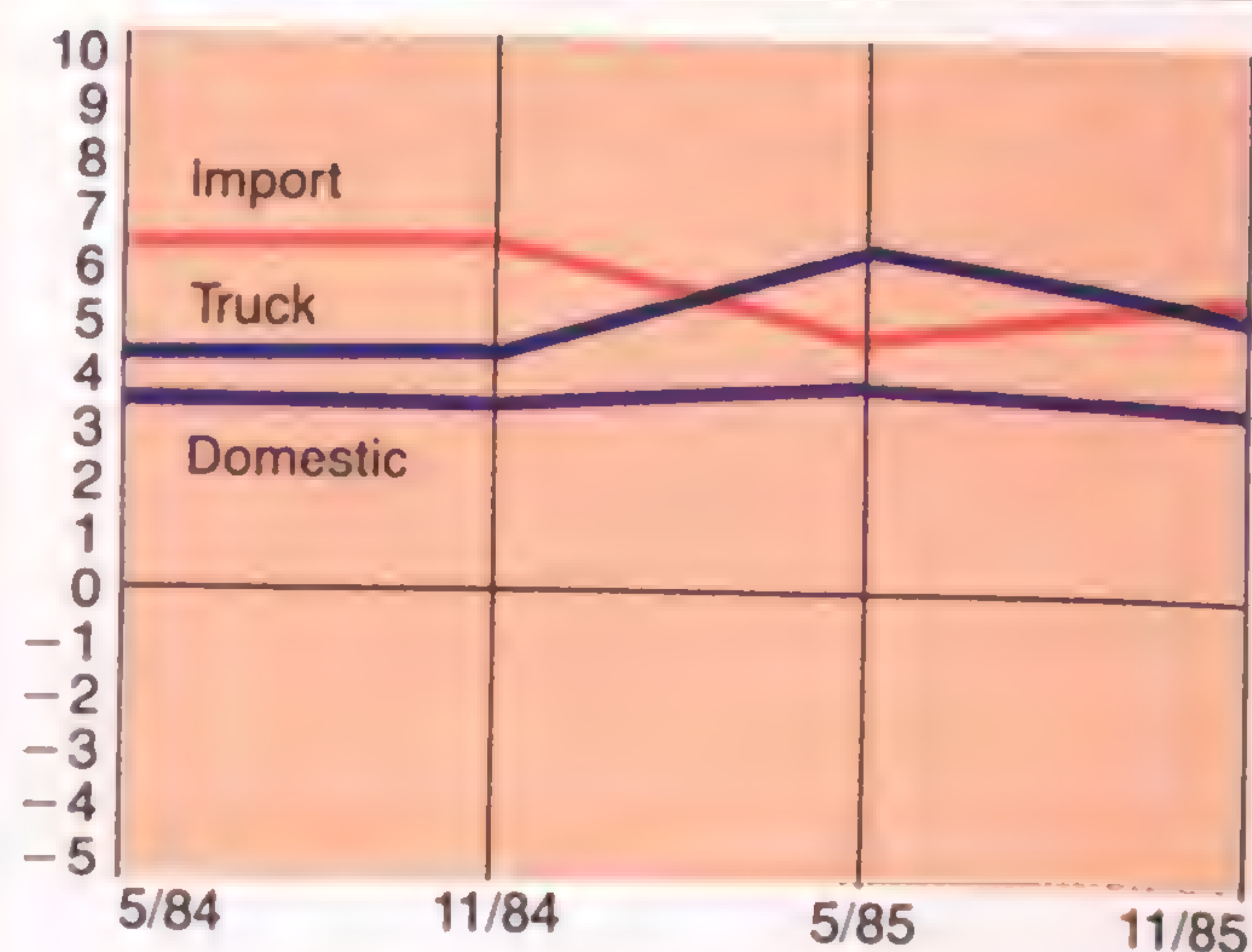
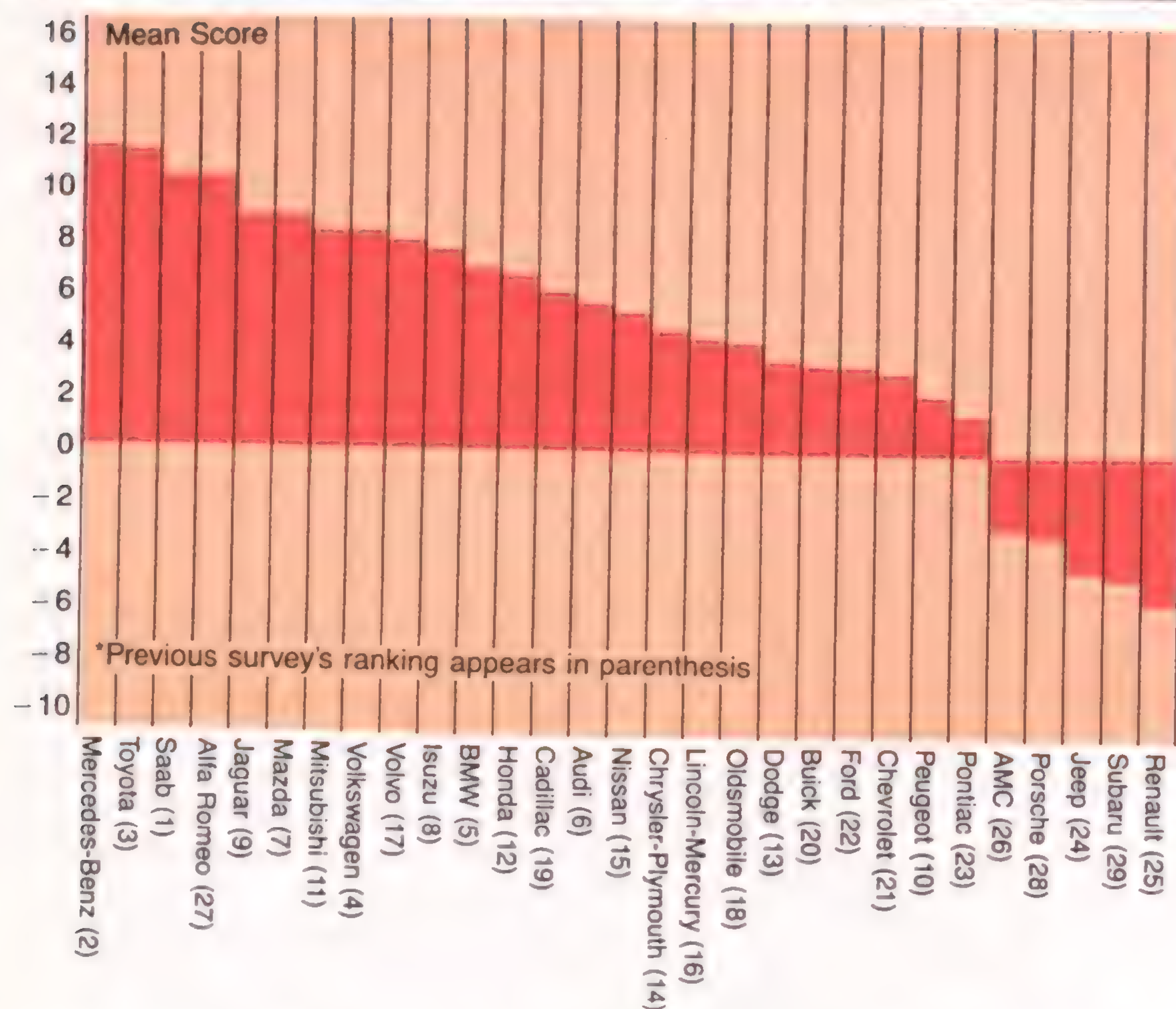
SATISFACTION WITH VEHICLE DISTRIBUTION



These charts and the ones at the top of the next page assess dealers' satisfaction with distribution of vehicles and parts. Vehicle distribution in particular consistently generates a negative rating, although it did show significant improvement in the latest survey. Easing of import restraints and aggressive domestic production schedules clearly influenced dealers' attitudes.

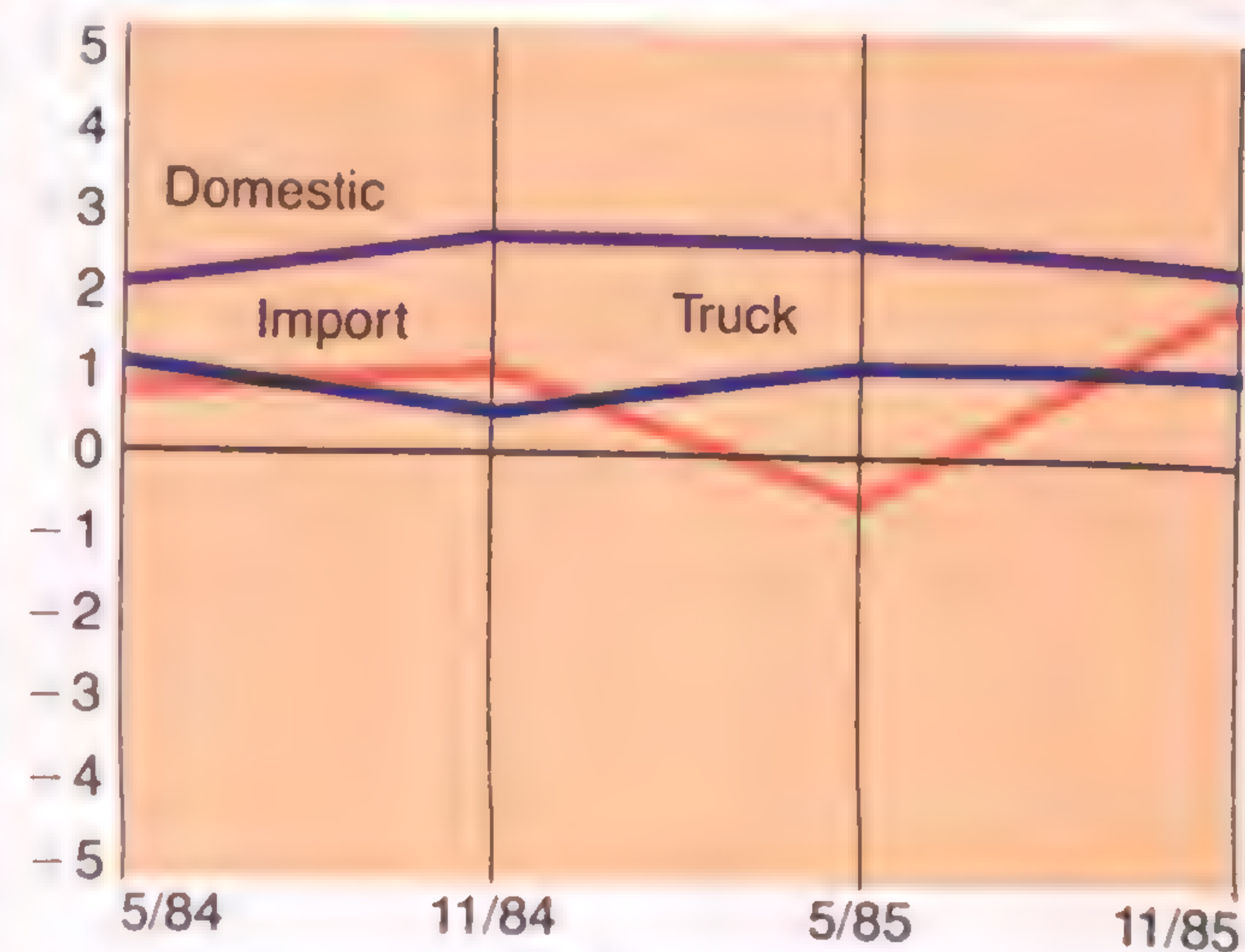
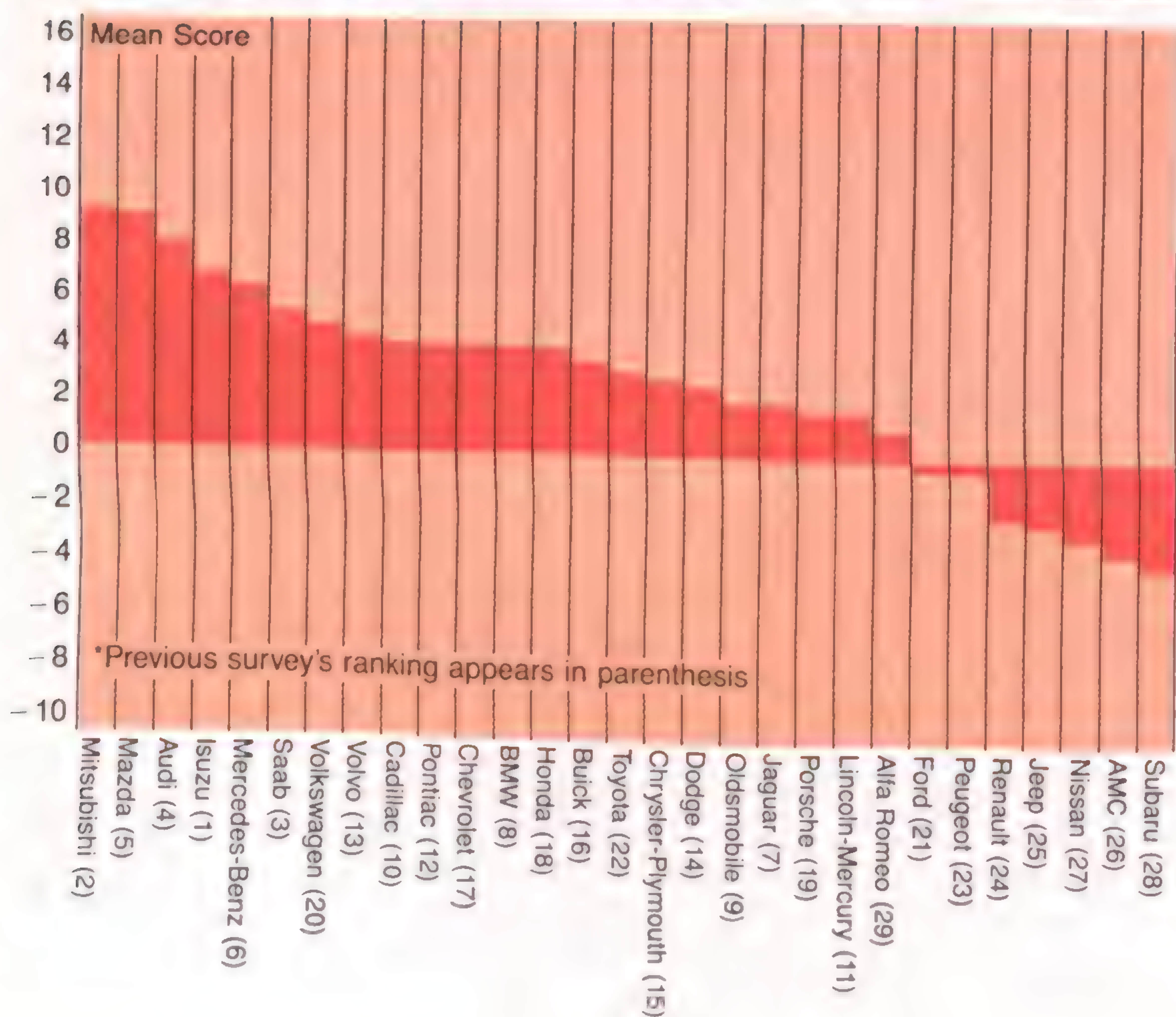
Possible response	Value
Strongly agree	20
Agree	10
Neutral	0
Disagree	-10
Strongly disagree	-20

SATISFACTION WITH PARTS DISTRIBUTION



Compared to vehicle distribution, dealers expressed a much higher satisfaction rating with parts distribution. Only a few automakers fell into the negative range. Attitudes toward this area have remained fairly constant over time.

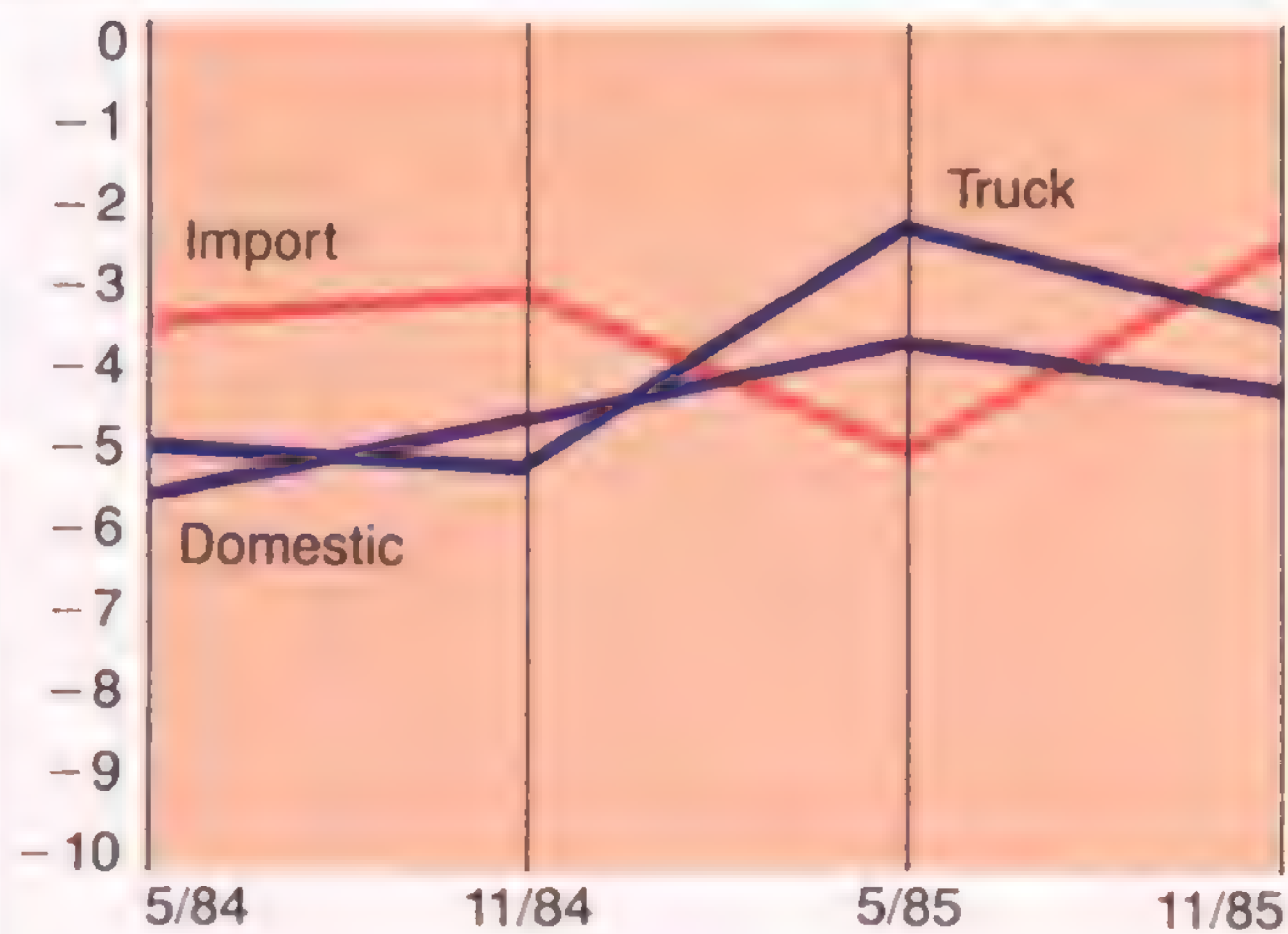
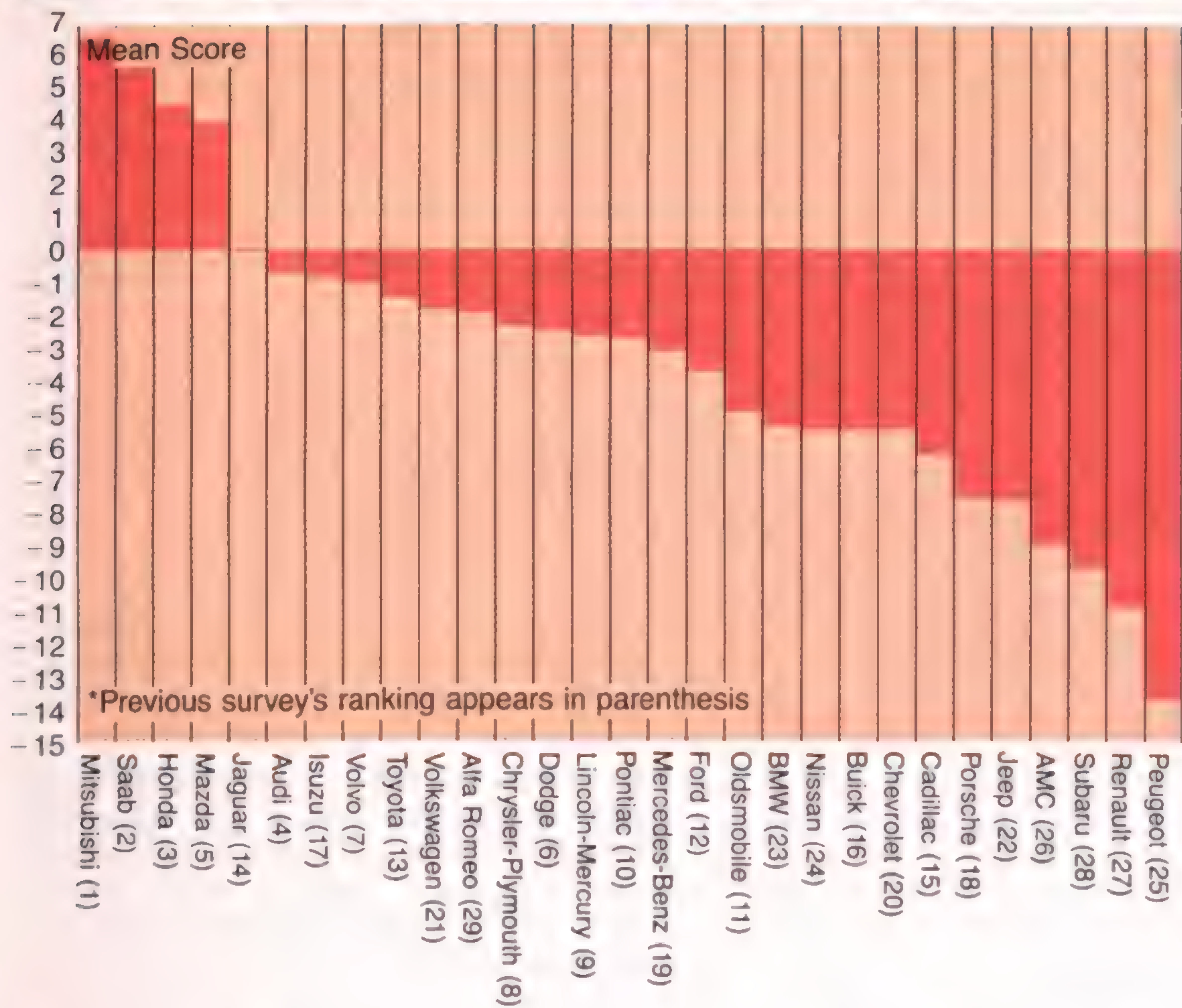
POLICIES AND PROCEDURES OF MANUFACTURER (Are Fairly and Evenly Applied)



Generally, dealers share a slightly positive attitude toward manufacturers' policies and procedures, but also agree that there is room for improvement. This rating remains fairly constant among all groups. Still, dealers agree that greater communication and cooperation between the factories and themselves will be needed in the intensely competitive market of the near future.

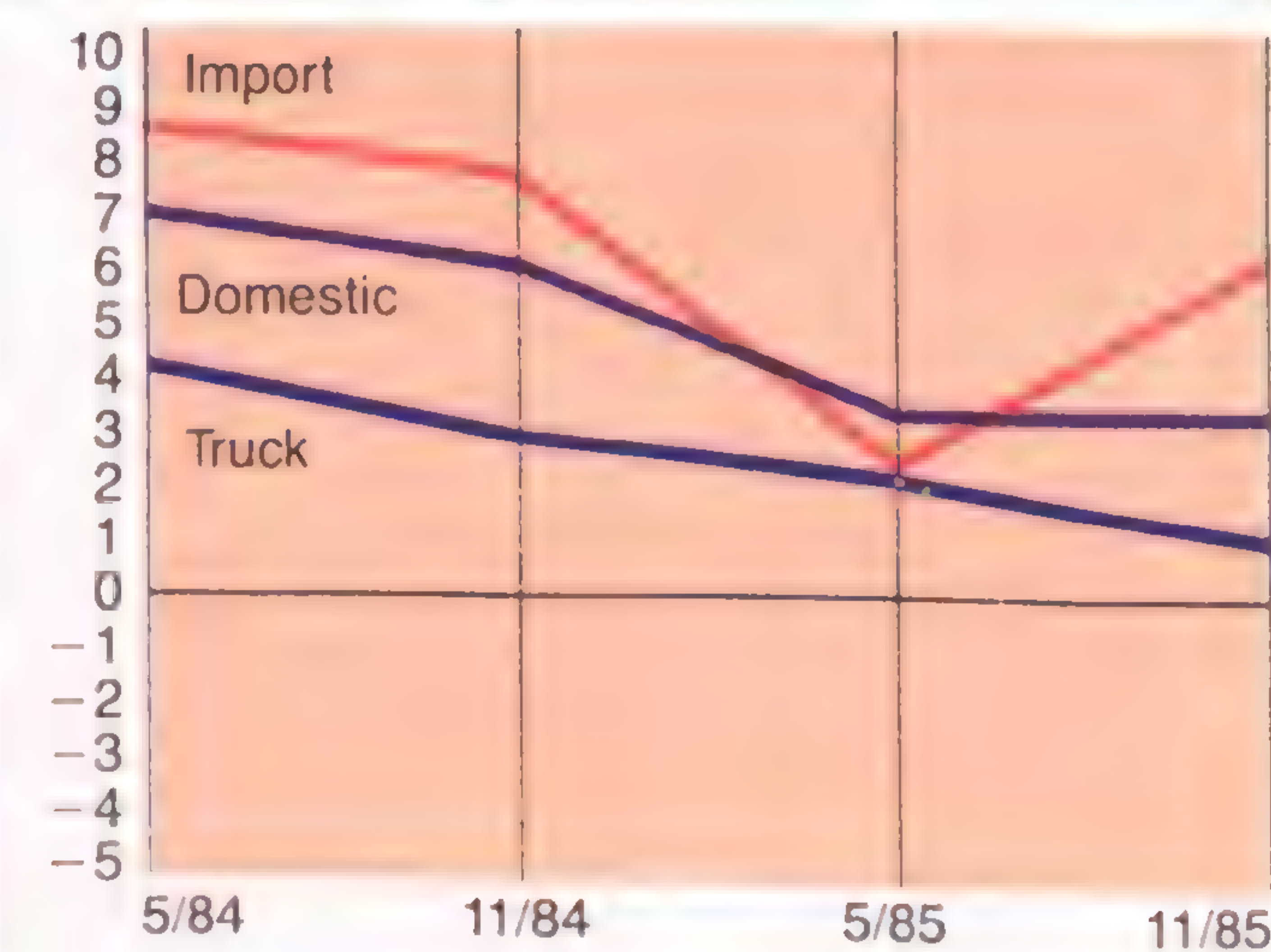
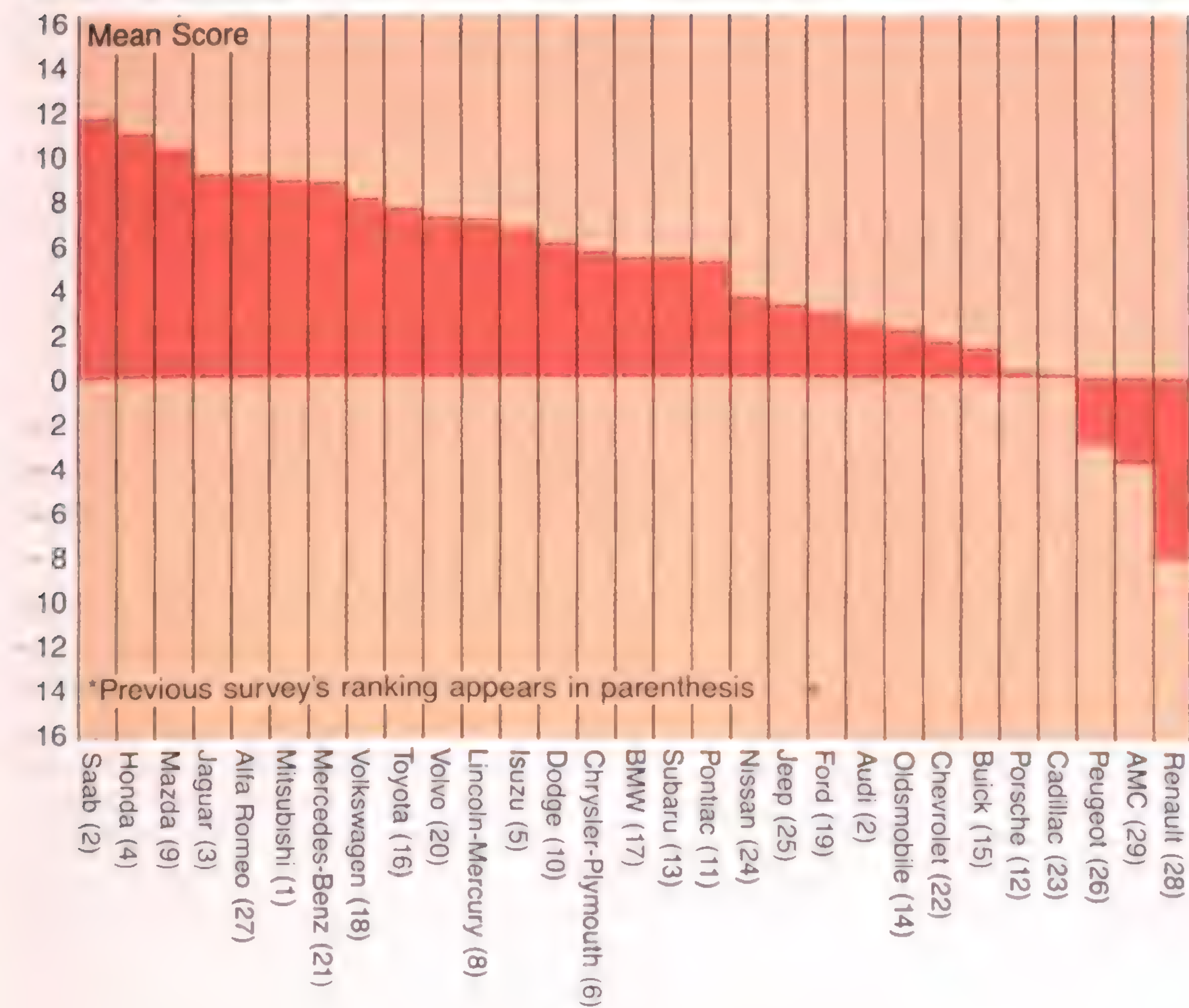
Possible response	Value
Strongly agree	20
Agree	10
Neutral	0
Disagree	-10
Strongly disagree	-20

MANUFACTURER CONSIDERS DEALER INPUT



In contrast to the previous question about fairness of policies, the average dealer feels detached from manufacturer decision making. Dealers across the board give their franchisors a low rating on soliciting input on policies that affect dealers. In the latest survey, 83 percent of the franchises surveyed generated a negative rating.

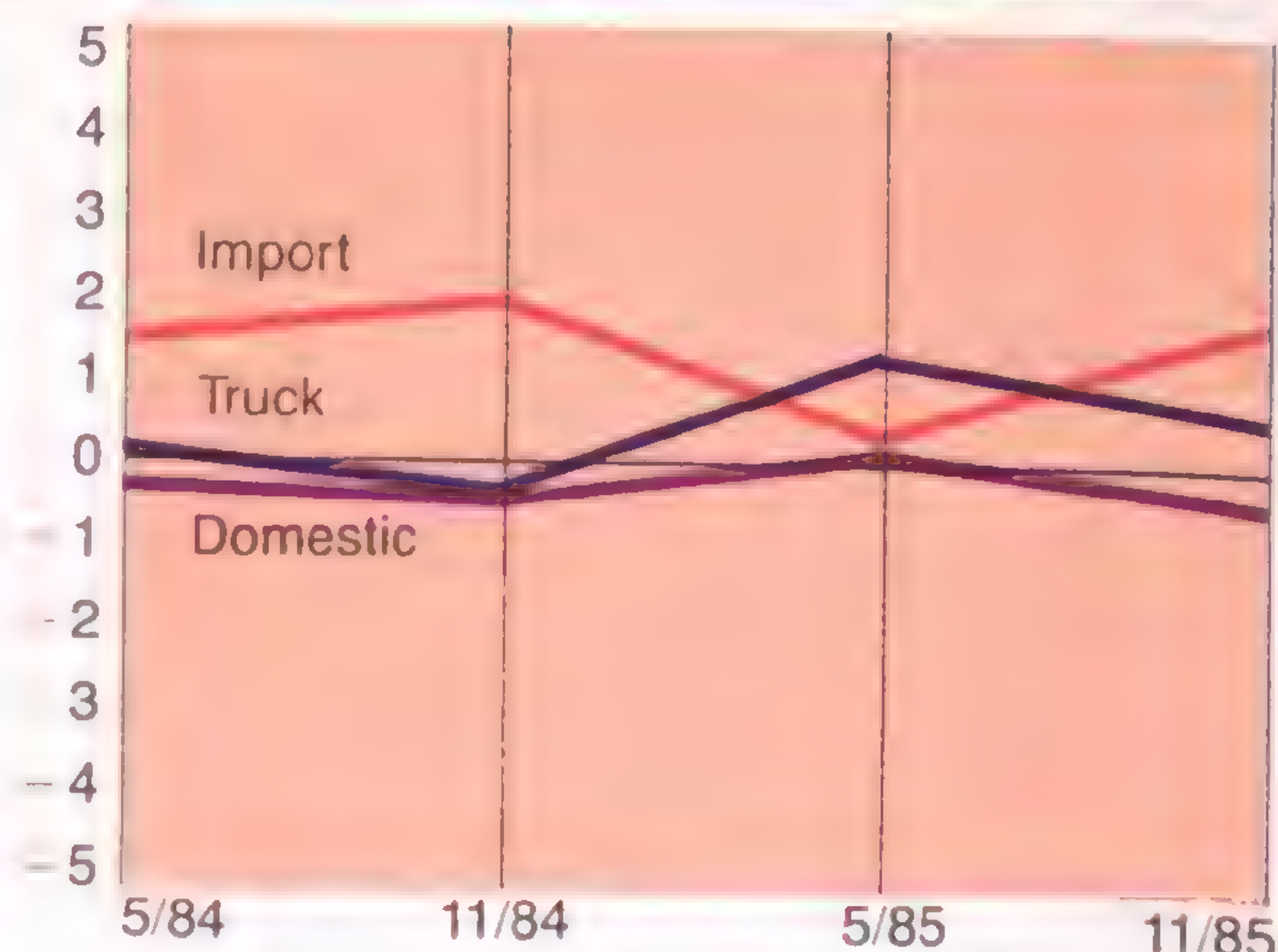
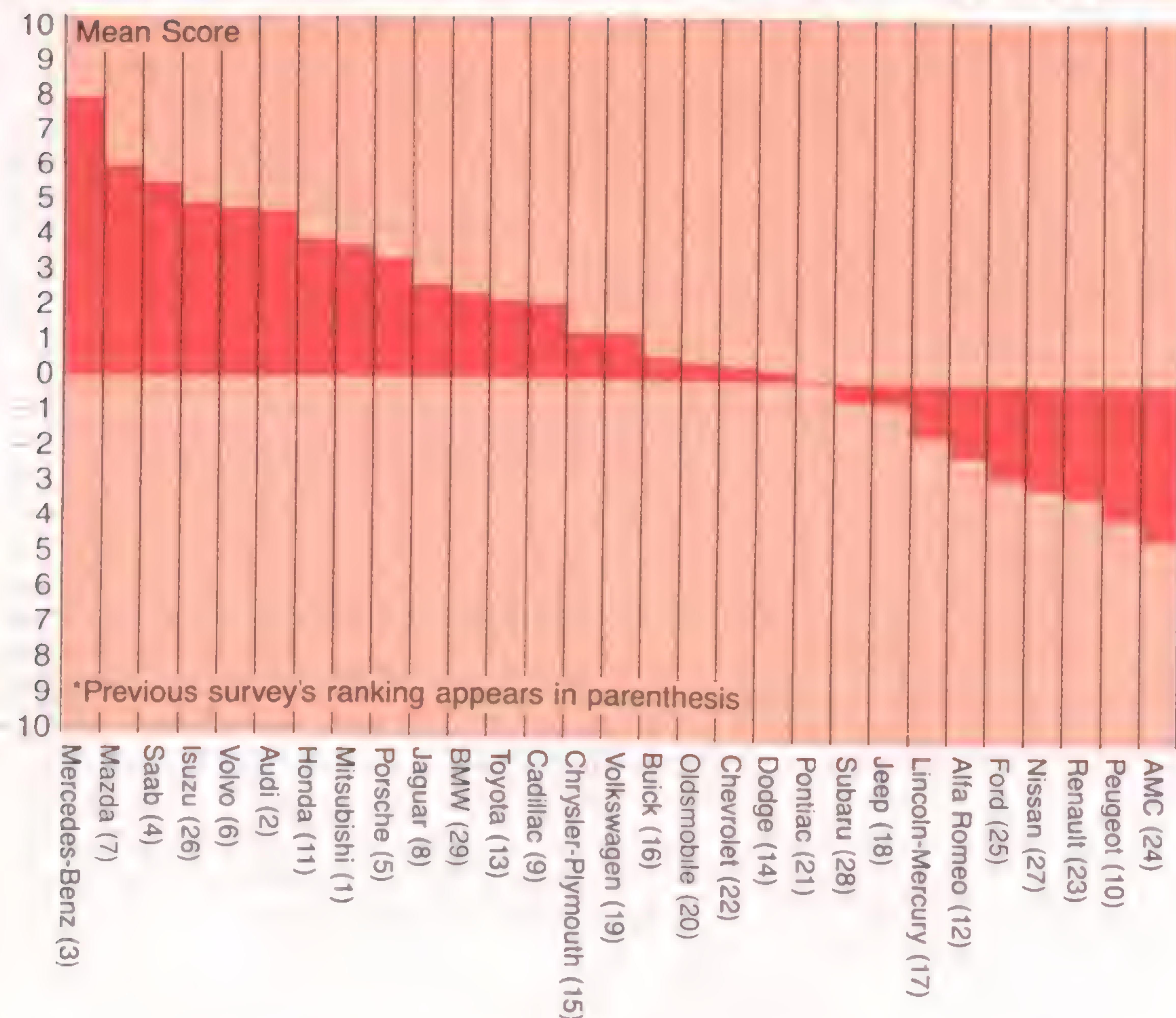
VALUE OF FRANCHISE WILL INCREASE (Next 12 Months)



Uncertainty about increased competition, dealership attrition and a slowing sales pace are clearly reflected in the response to this question. For domestic dealers, the impact of continued sales incentive programs will be a factor in future results, as will price adjustments due to a depreciating dollar for import dealers. Overall, dealers still feel optimistic about future business.

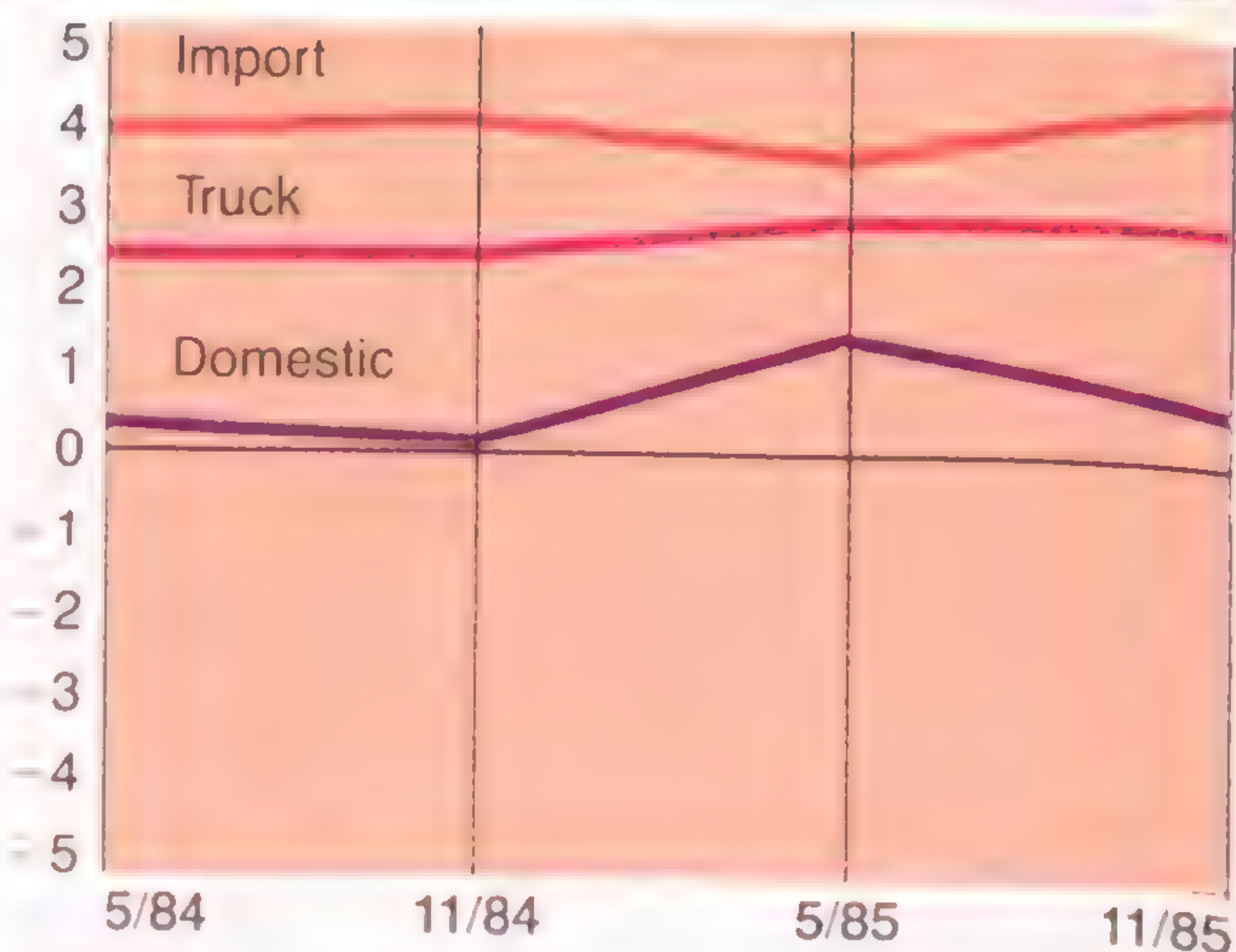
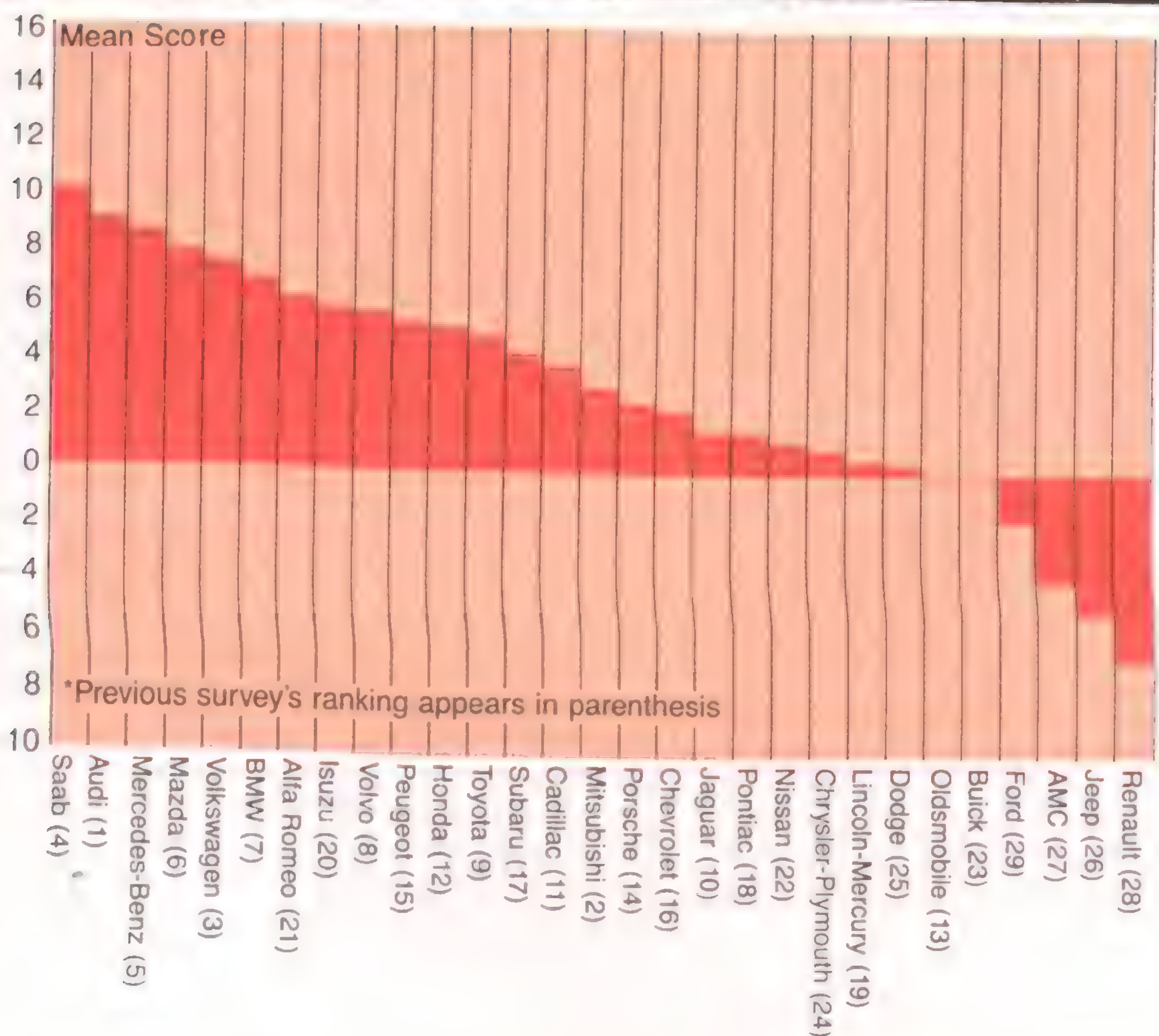
Possible response	Value
Strongly agree	20
Agree	10
Neutral	0
Disagree	-10
Strongly disagree	-20

MANUFACTURER HAS WELL TRAINED FIELD STAFF (Sales)



The communications link between dealer and manufacturer resides mainly in the day-to-day relationship of the dealer and factory representative. Overall, dealers view that relationship as slightly positive. Import franchises rate slightly higher than domestics. Sales representatives scored lower ratings than service and parts representatives. Ratings have remained fairly static over time.

MANUFACTURER HAS WELL TRAINED FIELD STAFF (Service and Parts)



Service and parts representatives earned fairly positive marks, with only a few franchises falling into the negative zone. In the long run, we expect to see greater improvement in the area of field staff training, for both sales and service reps. As dealers will have to staff their dealerships with better trained, more knowledgeable employees, so will manufacturers.



Mr. Dealer, will you spend 15 minutes of your valuable time to learn how to add \$40,000, \$50,000, even \$100,000 to your bottom line with NO CAPITAL INVESTMENT.

Here's how: Broadway Equipment Company has produced a 15 minute film that tells the Auto Butler Service Builder Story. Simply fill in the coupon below and send it to: Auto Butler, Inc., 1110 West Broadway, Minneapolis, MN 55411. Auto Butler will send you the film to view at your leisure in the privacy of your own home or office. (All you need is a Beta or VHS video player). When the film is returned, you'll be sent a miniature Mr. Auto Butler doll as shown in the photo. A great attention getter and conversation piece for any office or showroom floor or a great gift for a special daughter, son or grandchild. (Could be the next Cabbage Patch Kid). A retail value of over \$50.00. But the real kicker comes from discovering how your dealership can benefit from the Auto Butler Service Builder System.

You have nothing to lose and a whole lot to gain by sending the coupon below. (The film stars super car salesman Jackie Cooper)

____ Yes, I'm interested in viewing the Auto Butler film, to learn first hand how I can add big profits to my bottom line. I agree to return said film after I have used it.

PLEASE SEND BETA ____ VHS ____

____ And, Yes, Send me the Auto Butler Doll as shown in the photo.

NAME _____ Title _____

DEALERSHIP _____

STREET _____

CITY _____ STATE _____ ZIP _____

PHONE () _____



QUALIFIED NEW CAR DEALERS ONLY

**PHONE 1-800-328-7434
IN MN 612-529-3345**



Virginia Dealers Testify on Safety

Mike Pallone, president of the Northern Virginia Automobile Dealers Association, testified at the Northern Virginia legislators' public hearing earlier this year about mandatory safety belt laws. Excerpts from his remarks follow.

"As businessmen involved in day-to-day automotive service to the public, we are constantly confronted by the death and destruction that occurs every year on Virginia's streets and highways. Death and destruction that are as needless as they are repulsive.

"I say needless because these problems can be minimized and, in many cases, totally prevented by the use of seat belts.

"You're all aware of the common-sense arguments for mandatory seat belt use. That they're good for business, government and, of course, public safety because they save overhead and taxes and, most important, they save lives. . . .

"But if you could see the effects of not wearing seat belts on human beings—mothers who lost their children because they sailed through windshields during accidents or were thrown from their cars after being hit by other vehicles—you'd realize that behind those numbers are the torn lives and ruined futures for innocent victims who might have been saved if they had been strapped in properly. . . .

"Did you know national studies have shown that the use of seat belts reduces the chances of serious injury or death by about 50 percent? . . .

"Think, too, of the lives and money that could be saved if just 80 percent of Virginia's drivers complied with a mandatory seat belt law. According to the Highway Users Federation, we could save 180 lives and 6,500 injuries per year in Virginia. That translates into \$115 million in medical, legal, insurance, productivity and government service costs. Costs that are now borne directly and indirectly by every person living in our state—either through higher prices, service fees or taxes. . . ."

SC Seminar Succeeds

The South Carolina Automobile & Truck Dealers Association presented a seminar, "Repositioning Your Dealership for the 1990s," that was so successful it was repeated three times. The talk was given by Bill Kessler, a consultant with a Knoxville firm, and was based on the idea of "total customer satisfaction," according to association Executive Vice President Patrick E. Watson.

"It's the only way to survive," Watson says in summarizing Kessler's seminar. "He sees the declining number of dealerships as more of a challenge than a problem. There may be three

dealerships in a small town, but if you do a good job of satisfying your customers, yours will be the one to stay."

About 40 participants came to each of the first three seminars, and 80 to the last one. "The good thing about it is, you can have a mega-size dealer and a very small dealer sitting right next to each other, and it all pertains to both of them," says Watson.

He says it is "by far the best thing we've ever done for our members," although he was not sure the association would break even on the cost.

Kessler also ran a workshop at the NADA Convention in February on "Market Repositioning through Customer Satisfaction in Service."



Participating in a cake-cutting ceremony at the National Capital Area International Auto Show, marking the 100th anniversary of the automobile, are (left to right): Mary Bryan, a 100-year-old Washington resident; Richard Libertine, vice president, Cahners Exposition Group of Boston, show organizers; Diane Steed, administrator, National Highway Traffic Safety Administration; Susan Akin, Miss America 1986; Gerard Murphy, president of the Automotive Trade Association National Capital Area, sponsor of the show, and John Paul, Paul Brothers Oldsmobile. The six-day show, second in size only to the Chicago Auto Show, had a record attendance of 356,966 visitors.

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Body Shop Service

The auto body repair business in this country accounts for millions of dollars of income, yet the new-car dealer's service department is last in its share of dollar volume.

New-car dealerships have steered away from the body repair business for several reasons: It is costly to establish a properly equipped shop; most dealerships don't have the physical space for a facility; it is difficult to find qualified technicians, and most of all, body shops are a mystery to most dealers. Having come up through the sales ranks, most dealers knew very little about service until they realized its importance in the last few years. The body shop has similarly been a low priority that could easily be sidestepped by subletting the work.

But new-car dealerships cannot dodge the body shop business entirely because they need to repair transportation claims and new-car paint flaws. Subletting all body work may be an answer for a small dealership. Even then, it is difficult to control quality and delivery times. Economically, it is a break-even deal at best.

If you subscribe to the "necessary evil" concept of body repairs, you can hire a couple of combination technicians (technicians capable of body and paint repairs) and allocate a corner of the shop to fulfill minor warranty and transportation claim needs. This also is a break-even proposition.

The last choice is to open a complete body shop. On-site facilities are naturally the most desirable, if you have the space. To rent a building nearby is the next best method, but then you create a supply and security problem. Parts have to be shipped by truck, supplies delivered and paperwork moved, along with the accompanying money.

Once you have committed the physical plant and the capital investment, the next step is to hire a manager and staff.

Managers can be attracted from the competition, insurance companies or the service manager ranks. I have found that hiring a former insurance adjuster increases your quality of settlements with insurance companies. Control of personnel, financial control and other managerial functions may have to be taught to a manager with this background.

"Managing a service department with eight technicians is a lot more difficult than a body shop with eight technicians."

The most successful new-car dealership body shop managers I have encountered were formerly service writers or managers. They understand the dealership's accounting, warranty and customer needs. They know how to handle technicians, and can easily learn to write estimates.

Managing a service department with eight technicians is a lot more difficult than a body shop with eight technicians. The people paying for body repairs are usually professional insurance companies, and all prices are agreed upon in writing before the job is done. You may write 30 or 35 repair orders a day in an eight-man mechanical shop, but a body shop may write only a handful. Fewer customers means fewer complaints and consequently, an easier job. With all variables equal, such as number of technicians, managerial abilities, physical plant and supply sources, the body shop should be more profitable

than the service department.

As in any business, profits depend on sales volume and expense control. Sales volume is easy in our business. Advertise to your new-car and service customers that you have a fully staffed, professional body shop. Notify local insurance companies that you are in business. It is best to call and set up a meeting with the regional claims supervisor, preferably at your shop so you can show off your facilities and finished repairs.

Your service department is another great source of body shop income. Give service writers a small bonus for every body estimate written as a result of their notifying the body shop manager.

Cosmetics are important to customers. Complete paint jobs and minor repairs on five- and six-year-old cars can be very lucrative.

Leasing companies and fleets also are a good source of income. They are very concerned about their cars' condition when they come back from a lease. Often the person who leased the car is responsible for the condition of the car at time of return. Since he is not in the body business and is just concerned about picking up his new car, usually the estimated repair costs are deducted from the residual value. This is where the body shop steps in and sells the work to the leasing company.

Very few new-car dealerships make any effort to attract off-the-street customers. Often, all that is needed is a sign indicating that there is a body shop. Advertising in the sports section of the Sunday paper will often draw customers' attention. Offer specials on complete exterior compound and wax. This is a high-profit item and is an excellent stepping stone to selling a paint sealant or additional body repairs.

Beyond conventional expense control, the body shop should focus on shop



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Set up an appointment today — our Authorized Dealers will be happy to demonstrate any of our Top Quality Skylite T-Roofts, Pop-Up Sunroofs or Electric Sunroofs. Write or call our Customer Information Department at 1-800/521-9753 or 313/227-1400 for the location of your nearest Authorized Dealer.



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supplies and paint. Reducing expense means reducing waste. Careful inventory control of paint both before and

after a can is opened improves the profit picture significantly. All partially used cans should be tightly sealed, properly

labeled and placed on the shelf for future use. Before a fresh can is ordered, inventory should be checked to see if you already have a sufficient supply. Allow only one person to order supplies.

Some colors run \$20 a pint. A large shop may easily have several thousand dollars in paint and thinner inventory. Spoilage is expensive. Purchasing through body shop cooperative associations can save you money, as can using recycled paper for masking cars.

Lesser grades of certain products (without sacrifice to quality) can be another good source of savings. Bonuses for reduced supply expenses should be shared by the technicians on a monthly basis. Consider assigning supplies to individuals or by jobs assigned. Be careful not to let the supply control task become all-consuming.

I often see cars lying around the body shop waiting for parts for weeks. This is easy to do, since the customer often has a rental car at the expense of the insurance company and the suppliers are slow in responding to body shops' needs. The general atmosphere is slower in a body shop, and many times managers are lulled into accepting the situation. But every day a car sits on your lot waiting for an adjuster or for parts costs you money.

Parts managers must be aware of the body shop's needs. In-house repairs are where customer satisfaction is bred. Your own parts department will sometimes sell a part to a wholesale account rather than to your body shop. Inter-departmental support is mandatory.

The body shop business serves an important support function to the rest of the dealership. It is easy to run and can be a great source of profit. ■

This column is prepared for Automotive Executive by Ron Joffe, a dealership service director in Trenton, NJ. The opinions expressed are those of the author, and do not necessarily reflect those of NADA, NADA Services Corp. or Automotive Executive. All questions or comments about this column should be mailed to: The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102.

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ship to the most profitable management decisions. From money management to investment selection, CARS/36 is the ultimate capitalist tool.

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The ASC Camaro convertible is a limited edition; it's recommended that orders be placed as soon as possible.



Circle #2 on Reader Service Card

SPECIAL SHOWCASE



EXECUTIVE VAN CONVERSION

The Executive is Coachmen Vans' newest top-of-the-line conversion. Oak is used throughout the interior, including door panels, lighted drink caddy, indirect lighting panels, rear overhead cabinet, pedestal table and window valances. The interior also has woven-velvet sidewalls, seating and trimwork; plush padded nylon carpeting; draperies with ties, and venetian blinds. ■

Circle #87 on Reader Service Card



MID-RANGE VAN SERIES

Starcraft's new XR series, priced between the top-of-the-line Grand Touring series and the mid-range SL series, has oak trim and outside striping. XR features the same choice of floor plans and seven window arrangements as the other series. In the interior, a long accent strip of oak runs down the center of the roof, which can be equipped with optional concealed lights. There's also an oak game table with a checkerboard on top and hidden storage inside. ■

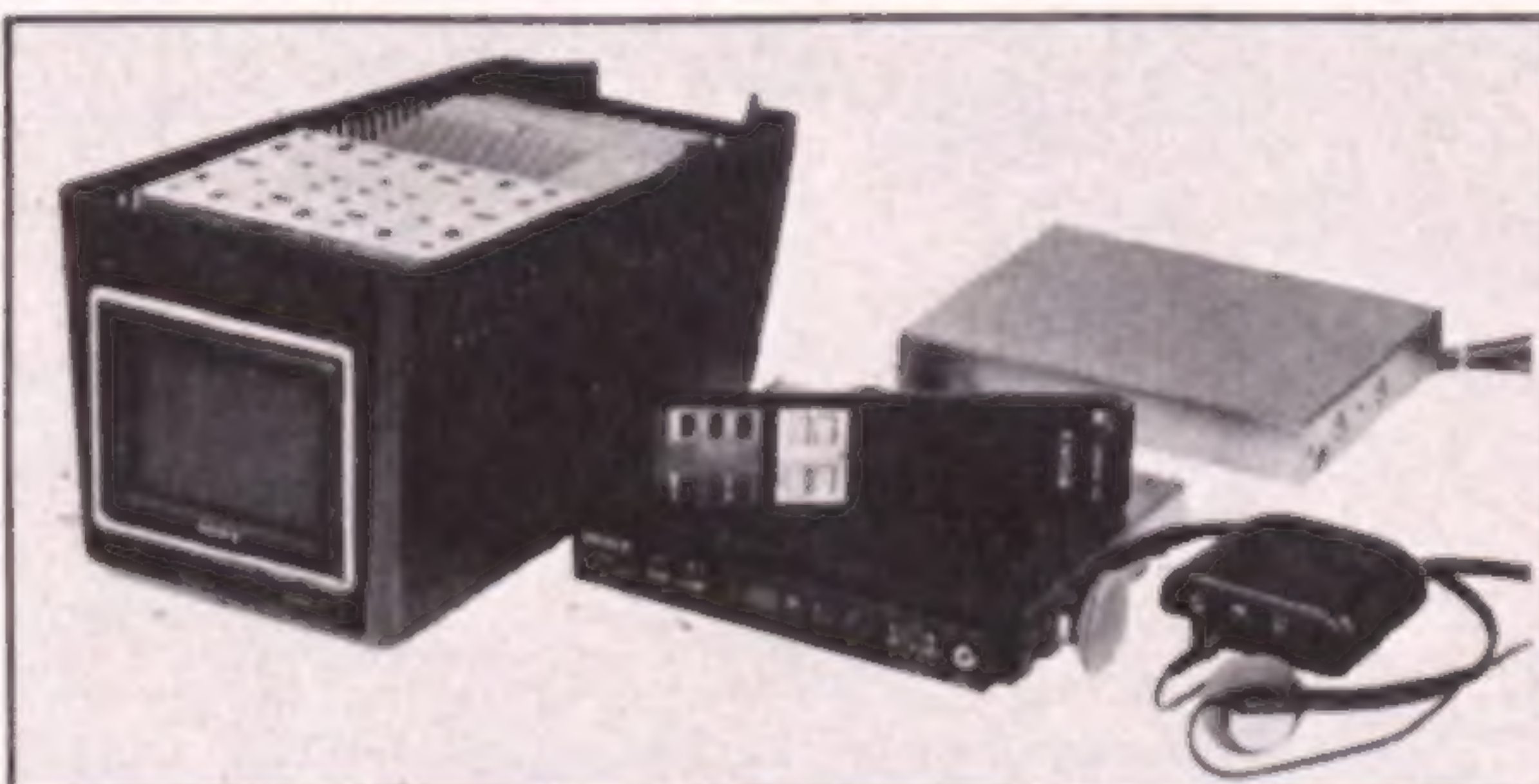
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MOBILE VIDEO SYSTEM

Sony Automotive Entertainment Systems has introduced a mobile video entertainment system designed to appeal to recreational vehicle, limousine and mobile home owners. It is composed of four separate components that include a space diversity reception unit, in-dash television tuner, wireless remote control and a display monitor. Optional accessories are also available. The mobile TV diversity unit, designed exclusively for vehicular use, automatically compensates for variations in mobile video signal strength. ■

Circle #92 on Reader Service Card



CONVERSE VAN CONVERSION

Consolidated Leisure Industries offers the Converse as its latest van conversion. Standard equipment includes the Laser® accent exterior graphics package that complements the polished aluminum continental spare tire kit; aluminum running boards, luggage rack and rear ladder, and deep tint automotive safety glass slider windows. On the inside is an overhead control panel with interior lighting, an oak interior trim package, plush carpet with pad, four-coaxial speakers with antenna, and European style seating. ■

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DELTA LUXURY VAN

Standard features for Trans-Aire International Inc.'s Delta Limited Edition include front console with built-in 40-channel C.B., six-position control panel, radar detector and graphic equalizer/power booster, Eurosport contoured style seats, solid oak dash panel, louvered indirect lights, recessed mood lighting in headliner, rear overhead heat and air conditioning, rear color T.V. with remote control and solid oak side rails. ■

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DODGE VAN CONVERSION

The Traveler is one of three full-sized and two mini lines of conversions built on Dodge Vans by Ram Coach Corp. Its standard features are an aerodynamically designed sport top, molded overhead compartment built in, color TV, security system, removable rear travel section, solid oak overhead consoles, tables and window valances. ■

Circle #94 on Reader Service Card



SHOWCASE



SERIES 9000 VAN

Jayco has announced its Series 9000 van conversion, available for Ford, Chevrolet and GMC bailment pools. Standard features include swivel recliners with map pockets, matching convertible rear sofa bed and a fold-down center console, oak overhead master control console with a six-light-switch panel, oak lighted engine drink caddy with cassette holder, full-length oak wall caddies, a stainless steel roof rack with an aluminum ladder, aluminum step plates, lighted side-door stepwell, large Vista bay windows, and side and rear door blinds.

Circle #90 on Reader Service Card

CLEANING PRODUCTS

Klean-Strip has introduced three new automotive cleaning products: Brake Clean, Engine Clean and Carb Clean. Brake Clean comes in a 20-ounce aerosol can and cleans and degreases brakes (disc or drum), clutches and other mechanical parts. Engine Clean, in a 16-ounce aerosol can, dissolves grease, oil and dirt on all types of motors. Carb Clean, available in a 13-ounce aerosol can, cleans and frees choke and carburetor linkages and PCV valves for all types of engines.

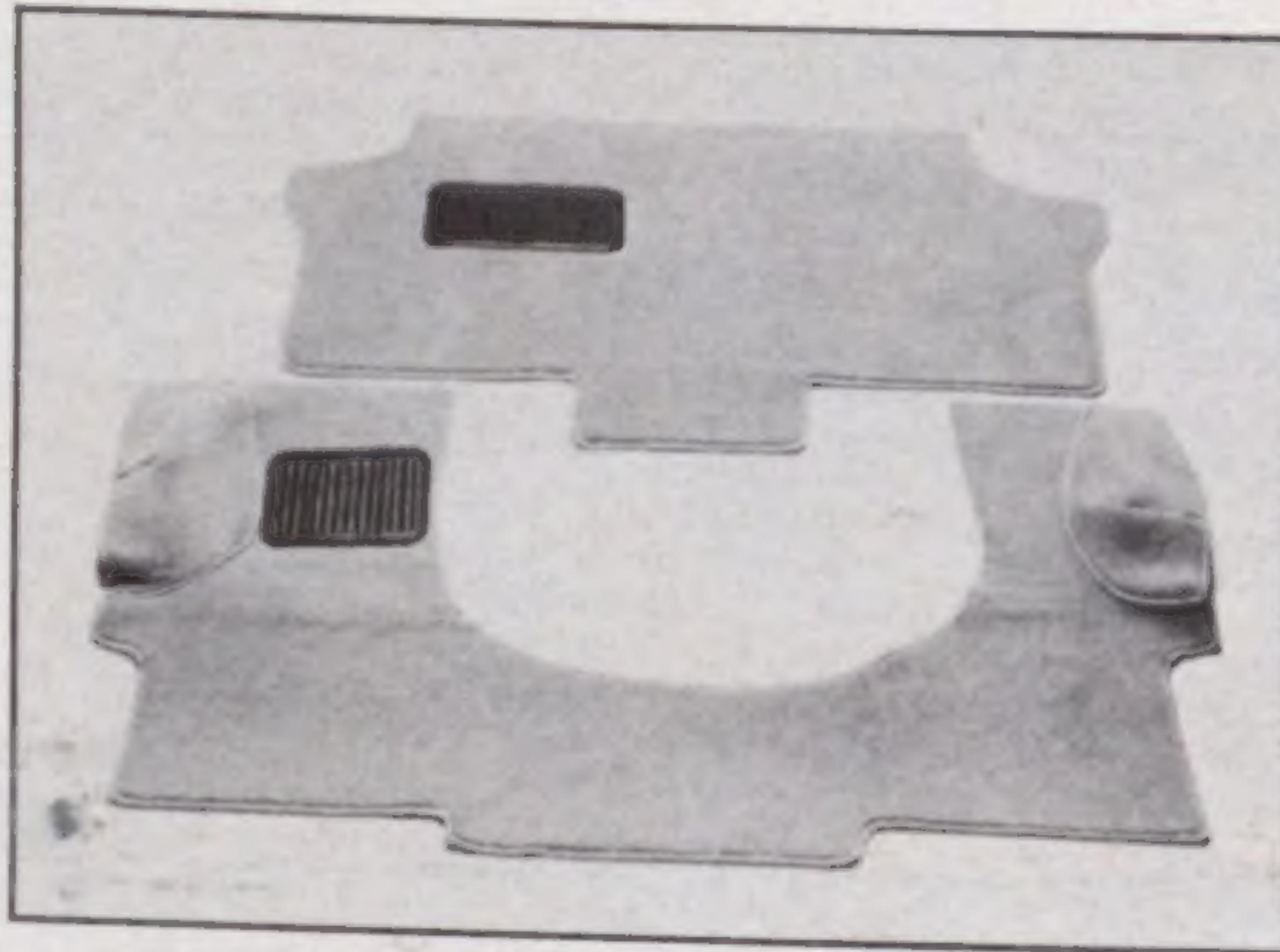
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VAN MATS

The new line of van and mini van mats from Distinctive Industries features deep pile carpeting with a heavy-duty polypropylene backing that resists moisture, and a heat-bonded heel pad on the driver's side mat. Van mats have additional coverage for the inside fender well found on large vans. Van and mini-van mats come as one- or two-piece sets, depending on the application, and are available in a variety of colors for all domestic vans and the new Toyota Mini Van.

Circle #89 on Reader Service Card



STRETCH LIMO

APC/American Pullman has developed the first five-door stretch limousine. The fifth door is the closed panel on the passenger side, which had been non-functioning. The limousine will give easy curbside exit and entrance for the coach passengers, the manufacturer says. This model also has a new custom entertainment center, mounted on the other closed panel. Both the 46- and 54-inch models allow for full six-passenger seating.

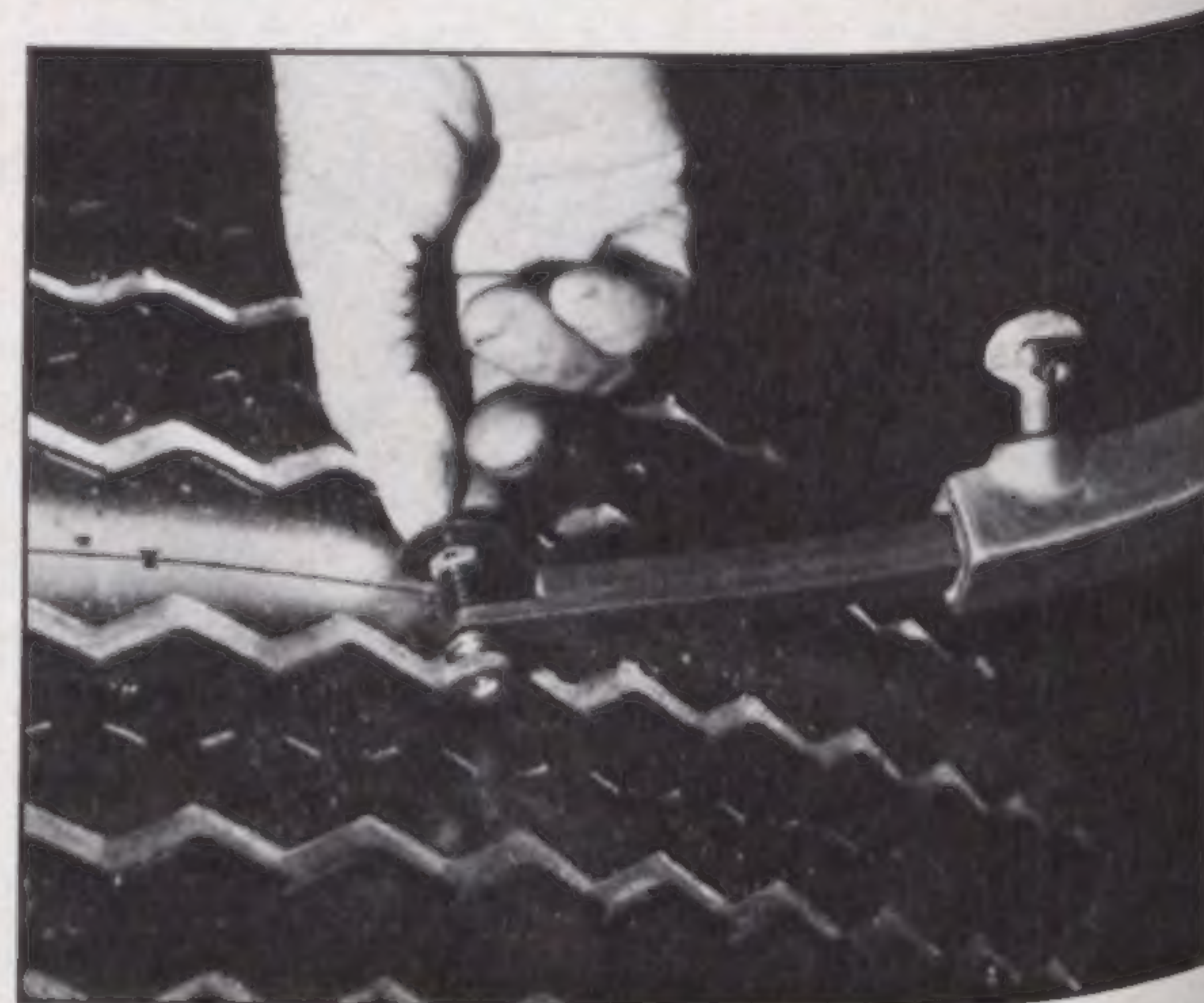
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SCRIBE GAUGE

Bee Line has modified its Model 2100 and 2300 scribe toe gauge to make it easier to set to the scribe line of the tire. The gauges now come with a spring-loaded adjustment screw with a knurled knob lock for fine adjusting of a half-inch to the scribe line. This modification will fit all previous model Bee Line scribe gauges.

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FUEL GAUGES

Electronic fuel level gauges are offered in the Vintage and Night Design lines of VDO automotive instruments. Both fuel gauges are available in a 2 1/16-inch diameter size and feature eccentric sweep indication and contrasting colored characters for easy reading. The Vintage fuel level gauge has a matte white face with black characters and pointer and a polished chrome bezel. The Night Design fuel gauge has an opaque dial face and transoptic lighting that makes the characters and pointer appear luminous when back-lit. Illumination is available in white, green or red-orange.

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Information and photographs of products listed in "Showcase" have been provided by manufacturers' press releases. A product's appearance in this column in no way implies an endorsement by either NADA, the NADA Services Corp. or Automotive Executive.

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